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Town of Kentwood, Louisiana

Annual Financial Statements

As of December 31, 2005 and for the Year Then Ended

LEROY J. CHUSTZ
Certified Public Accountant
A Professional Accounting Corporation

Town of Kentwood, Louisiana

Annual Financial Statements

As of December 31, 2005 and for the Year Then Ended

Town of Kentwood, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2005
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS

The Honorable Mayor Harold J. Smith
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Kentwood, Louisiana's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Kentwood, Louisiana, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards,* I have also issued my report dated August 9, 2006 on my consideration of the Town of Kentwood, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis, budgetary comparison information, and other supplemental schedules on pages 8 through 16 and 52 through 58 of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kentwood, Louisiana's basic financial statements. The supplemental information schedules listed in the Table of Contents as Schedules 59 through 77 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Leroy J. Chustz
Certified Public Accountant, APAC
August 9, 2006

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

Town of Kentwood, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005

Introduction

The Town of Kentwood, Louisiana (the Town) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards. Although the Town was not required to implement GASB 34 until the fiscal year ending December 31, 2003, management elected early implementation in the fiscal year ending December 31, 2002 to provide financial statement users a more detailed and comprehensive analysis of the Town's financial performance. This is the third year of presentation under the new GASB 34 format.

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

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Town's financial statements on pages 18 through 31 of this report.

Financial Highlights

- At December 31, 2005, the Town's assets exceeded its liabilities by $6,454,080 (net assets). Of this amount, $2,314,760 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens.

- For the year ended December 31, 2005, the Town's total net assets decreased by $140,479.

- At December 31, 2005, the Town's governmental funds reported combined ending fund balances of $1,714,467, a decrease of $138,387 for the year. Of this amount, 81% is available for spending at the Town's discretion (unreserved fund balances).

- At December 31, 2005, the Town's proprietary funds reported combined ending net assets of $4,120,071, an increase of $865,788 for the year. Of this amount, approximately 17%, or $715,257, is available for spending at the Town's discretion (unrestricted net assets).

- For the year ended December 31, 2005, the Town's total debt for the proprietary fund decreased by $13,949, due primarily to revenue bond principal payments.

Overview of the Annual Financial Report

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Governmental and business-type activities are presented in separate columns along with a total column for the primary government.

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

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

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

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

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

The government-wide financial statements include the Town of Kentwood, Louisiana (primary government) only and can be found on pages 18 through 20 of this report.

Fund Financial Statements

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

Governmental funds are used to account for most of the Town's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

Proprietary funds account for water, natural gas, and sewer utility services provided by the Town to its customers, as well as the Town's housing assistance program. Proprietary funds statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail. The basic proprietary fund financial statements can be found on pages 26 through 31 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 23 and 25 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 50 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net assets for the current year as compared to the prior year. For more detailed information, see the Statement of Net Assets on page 18 of this report.

Net Assets
December 31, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and Other Assets	$ 1,806,218	$ 2,073,238	$ 1,094,197	$ 1,257,641	$ 2,900,415	$ 3,330,879
Capital Assets	734,506	1,604,285	4,107,718	3,285,783	4,842,224	4,890,068
Total Assets	2,540,724	3,677,523	5,201,915	4,543,424	7,742,639	8,220,947
Liabilities:						
Long-Term Debt Outstanding	114,964	116,863	777,055	791,004	892,019	907,867
Other Liabilities	91,751	220,384	304,788	498,137	396,539	718,521
Total Liabilities	206,715	337,247	1,081,843	1,289,141	1,288,558	1,626,388
Net Assets:						
Invested in Capital Assets, Net of Related Debt	734,506	1,604,285	3,330,663	2,494,779	4,065,169	4,099,064
Restricted	-	325,540	74,151	68,058	74,151	393,598
Unrestricted	1,599,503	1,410,451	715,257	691,446	2,314,760	2,101,897
Total Net Assets	$ 2,334,009	$ 3,340,276	$ 4,120,071	$ 3,254,283	$ 6,454,080	$ 6,594,559

Approximately 63% of the Town's net assets reflects its investment in capital assets (land, buildings, equipment, infrastructure, and improvements) net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Approximately 1% of the Town's net assets represents resources that are subject to external restriction on how they may be used. The Town's restricted net assets consist of cash reserves required by revenue bond agreements and cash for customer deposits net of corresponding liabilities.

Approximately 36% of the Town's net assets are unrestricted and may be used to meet the Town's ongoing obligations to its citizens.

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

The Town's activities decreased its total net assets by $140,479, with governmental activities decreasing net assets by $1,006,267 and business-type activities increasing net assets by $865,788. The decrease was due primarily to the transfer of completed construction of $1,018,935 to the enterprise fund as LCDBG construction was completed.

In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the Town's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities on pages 19 and 20 of this report.

Changes in Net Assets
For the Years Ended December 31, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	$ 259,346	$ 277,054	$ 1,478,887	$ 1,295,883	$ 1,738,233	$ 1,572,937
Operating Grants and Contributions	42,136	48,036	-	-	42,136	48,036
Capital Grants and Contributions	219,617	893,221	-	-	219,617	893,221
General Revenues:						
Taxes	768,330	688,652	-	-	768,330	688,652
Fire Insurance Rebates	20,211	19,088	-	-	20,211	19,088
Parish Allocation	179,064	237,258	-	-	179,064	237,258
Interest Income	26,110	14,150	25,354	16,715	51,464	30,865
Other Revenues	9,484	3,195	-	-	9,484	3,195
Total Revenues	1,524,298	2,180,654	1,504,241	1,312,598	3,028,539	3,493,252
Expenses:						
General and Administrative	605,927	560,613	-	-	605,927	560,613
Police Protection	364,538	368,770	-	-	364,538	368,770
Fire Protection	316,974	284,427	-	-	316,974	284,427
Streets and Sanitation	365,911	341,853	-	-	365,911	341,853
Health and Welfare	6,145	6,565	-	-	6,145	6,565
Culture and Recreation	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Water, Gas, and Sewer Utility	-	-	1,304,055	1,110,779	1,304,055	1,110,779
Housing Assistance	-	-	205,468	221,946	205,468	221,946
Total Expenses	1,659,495	1,562,228	1,509,523	1,332,725	3,169,018	2,894,953
Change in Net Assets Before Transfers and Contributions	-135,197	618,426	-5,282	-20,127	-140,479	598,299
Transfers (Out) In	147,865	355,000	-147,865	-355,000	-	-
Transfers (Out) In-LCDBG	-1,018,935	-	1,018,935	-	-	-
Capital Contributions	-	-	-	-	-	-
Change in Net Assets	-1,006,267	973,426	865,788	-375,127	-140,479	598,299
Net Assets, Beginning	3,340,276	2,366,850	3,254,283	3,629,410	6,594,559	5,996,260
Net Assets, Ending	$ 2,334,009	$ 3,340,276	$ 4,120,071	$ 3,254,283	$ 6,454,080	$ 6,594,559

Governmental Activities

The Town's governmental net assets decreased by $1,006,267 or 30% of the prior year ending net assets, to $2,334,009. The overall decrease in net assets is partially offset by a $147,865 transfer of funds from the Town's business-type activities and decreased by a $1,018,935 transfer of funds to the Town's business-type activities as LCDBG construction was completed. The change in net assets is $1,979,693 more than the prior year, this difference being caused by LCDBG revenues recorded in the prior year, and the decrease caused primarily by the transfer of LCDBG completed construction to the enterprise fund.

Revenues for governmental activities decreased by $656,356, due primarily to a decrease of $673,604 decrease in LCDBG revenues as construction was completed, an increase of $79,678 in tax revenues (primarily from sales tax revenue increases), and $58,194 decrease in the parish allocation for the fire department as the parish adjusted reimbursement rates to fire districts. Expenses increased by $97,267, with the major increases consisting of a $45,314 increase in the General and Administrative expense category (primarily for capital expenditures and increase in hospitalization insurance), and a $32,547 overall increase for Fire Protection.

Business-Type Activities

The Town's business-type net assets increased by $903,083, or 28% of the prior year ending net assets, to $4,157,366. The major factor contribution to the increase in net assets is a $1,018,935 transfer of funds from the Town's governmental activities for LCDBG construction, partially offset by a $147,865 transfer out to the town's general fund.

The increase in revenues of $191,643 noted above is caused primarily by an increase in gas service revenue. However, overall revenues and expenses remained relatively constant and the increase in gas revenues is offset by an increase in the cost of gas. Overall, the net profit (gas revenues less cost of gas) increased by $36,660, sewer revenues increased by $2,029, and water revenues increased by $11,878.

Fund Financial Analysis

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

Governmental Funds

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances of $1,745,144, $325,540 of which is reserved for capital projects, and $1,419,604 of which is unreserved and available for spending at the Town's discretion. This represents a decrease of $107,710, or 6 % of the prior year's ending balances.

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the general fund was $805,986, $325,540 of which was reserved for capital projects, and $480,446 of which was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33%of total general fund expenditures, while total fund balance represents 55% of the same amount..

Proprietary Funds

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

General Fund Budgetary Highlights

Per *Footnote 2 - Stewardship, Compliance and Accountability*, the Town of Kentwood recorded two unfavorable variances when actual revenues and other sources were below budgeted revenues and other sources for the general fund and the volunteer fire department fund.

For the general fund, actual revenues and other sources were less than final budgeted amounts by $187,329(13%). The variance occurred when the Town did not transfer all budgeted transfers from the utility fund. For the volunteer fire department, actual revenues and other sources were less than final budgeted amounts by $34,400 (12%). This variance occurred as the parish council adjusted its rates for transfer of property tax and revenue sharing collections. The Town of Kentwood has stated that it will more closely monitor revenue levels at fiscal year end and amend the budget accordingly.

Significant variations from the general fund's original and final amended budgets were as follows:

- Budgeted operating transfers in from the utility fund were decreased by $113,000 because it was determined that the funds would not be needed in the general fund due to changes in estimates. As noted above, transfers will be monitored more closely and the budget amended accordingly.

- Budgeted expenditures in the volunteer fire department were decreased by $169,500 to reflect more closely the current level of anticipated expenditures for capital outlay.

Capital Assets and Debt Administration

Capital Assets

The Town elected early implementation of GASB 34 in the fiscal year ending December 31, 2002. However, as a Phase III government (a government with annual revenues of less than $10 million), the Town elected not to retroactively report infrastructure assets prior to implementation. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended December 31, 2002, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounts to $4,842,224 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was $834,127 (net of depreciation).

Major capital asset events during the current year included sewer utility system extensions, sidewalk improvements, and purchases of law enforcement equipment, street maintenance equipment, and computer equipment.

The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 7 to the financial statements on pages 43 and 44 of this report.

Capital Assets (Net of Depreciation)
December 31, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	$ 271,515	$ 271,515	$ 21,100	$ 21,100	$ 292,615	$ 292,615
Buildings and Improvements	233,064	251,063	2,954	4,697	236,018	255,760
Machinery and Equipment	205,395	178,260	23,126	3,983	228,521	182,243
Infrastructure	24,532	21,476	-	-	24,532	21,476
Water Utility System	-	-	1,097,202	1,113,827	1,097,202	1,113,827
Gas Utility System	-	-	86,034	242,458	86,034	242,458
Sewer Utility System	-	-	2,877,302	1,899,718	2,877,302	1,899,718
Capital Assets, Net	$ 734,506	$ 722,314	$ 4,107,718	$ 3,285,783	$ 4,842,224	$ 4,008,097

Governmental fund capital assets remained fairly constant. The increase in business-type activities capital assets was caused primarily by the transfer of $1,018,935 in completed LCDBG construction costs from the governmental to the utility fund.

Long-Term Debt

At December 31, 2005, the Town had total debt outstanding of $777,055. Of this total, $14,660 is due within one year and $762,395 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year. For more detailed information, see Note 12 to the financial statements on page 46 of this report.

Outstanding Debt
December 31, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	$ -	$ -	$ 777,055	$ 791,004	$ 777,055	$ 791,004
Total Outstanding Debt	$ -	$ -	$ 777,055	$ 791,004	$ 777,055	$ 791,004

Other Factors Affecting the Town

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

Contacting the Town's Financial Management

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

Basic Financial Statements

Government-Wide Financial Statements

Town of Kentwood, Louisiana

Statement A

Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 1,609,774	$ 655,322	$ 2,265,096
Taxes Receivable, Net	48,268	-	48,268
Accounts Receivable, Net	-	240,070	240,070
Inventory	-	36,033	36,033
Due From Other Funds	30,423	-	30,423
Due From Other Governments	117,753	-	117,753
Other Receivables	-	622	622
Restricted Cash and Cash Equivalents	-	162,149	162,149
Capital Assets, Net	734,506	4,107,718	4,842,224
Total Assets	2,540,724	5,201,914	7,742,638
Liabilities			
Accounts Payable	39,465	139,159	178,624
Other Accrued Expenses	52,286	32,206	84,492
Accrued Interest Payable	-	3,194	3,194
Due To Other Funds	-	30,423	30,423
Due to Other Governments	-	11,808	11,808
Customer Deposits	-	87,998	87,998
Current Portion of Long-Term Debt:			
Revenue Bonds Payable	-	14,660	14,660
Long-Term Portion Debt:			
Revenue Bonds Payable	-	762,395	762,395
Accrued Sick Leave Covertible to Retirement	114,964	-	114,964
Total Liabilities	206,715	1,081,843	1,288,558
Net Assets			
Invested in Capital Assets, Net of Related Debt	734,506	3,330,663	4,065,169
Restricted for:			
Debt Service	-	74,151	74,151
Unrestricted	1,599,503	715,257	2,314,760
Total Net Assets	$ 2,334,009	$ 4,120,071	$ 6,454,080

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement of Activities
For the Year Ended December 31, 2005

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions
Governmental Activities:				
General Government	$ 605,927	$ 162,869	$ 13,960	$ 41,200
Police Protection	364,538	14,399	28,176	2,183
Fire Protection	316,974	-	-	58,500
Streets and Sanitation	365,911	82,078	-	7,770
Health	6,145	-	-	-
.	-	-	-	109,964
Total Governmental Activities	1,659,495	259,346	42,136	219,617
Business-Type Activities:				
Water	254,875	295,489	-	-
Sewer	333,881	288,948	-	-
Gas	715,299	694,323	-	-
Housing Assistance	205,468	200,127	-	-
Total Business-Type Activities	1,509,523	1,478,887	-	-
Total Primary Government	$ 3,169,018	$ 1,738,233	$ 42,136	$ 219,617

General Revenues:
Taxes:
Ad Valorem Taxes
Sales and Use Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Fire Insurance Rebates
Tangipahoa Parish Allocation
Interest Income
Operating Transfers Out
Operating Transfers - LCDBG
Miscellaneous Income
Loss on Sale of Fixed Assets
Total General Revenues

Change in Net Assets

Net Assets, Beginning
Prior Period Adjustment (Note 19)
Net Assets, Restated

Net Assets, Ending

The accompanying notes are an integral part of this financial statement.

Statement B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ -387,898	$ -	$ -387,898
-319,780	-	-319,780
-258,474	-	-258,474
-276,063	-	-276,063
-6,145	-	-6,145
109,964	-	109,964
-1,138,396	-	-1,138,396
-	40,614	40,614
-	-44,933	-44,933
-	-20,976	-20,976
-	-5,341	-5,341
-	-30,636	-30,636
-1,138,396	-30,636	-1,169,032
60,201	-	60,201
642,332	-	642,332
58,096	-	58,096
7,701	-	7,701
20,211	-	20,211
179,064	-	179,064
26,110	25,354	51,464
147,865	-147,865	-
-1,018,935	1,018,935	-
11,108	-	11,108
-1,624	-	-1,624
132,129	896,424	1,028,553
-1,006,267	865,788	-140,479
3,340,276	3,259,288	6,599,564
-	-5,005	-5,005
3,340,276	3,254,283	6,594,559
$ 2,334,009	$ 4,120,071	$ 6,454,080

Basic Financial Statements

Fund Financial Statements

Town of Kentwood, Louisiana

Statement C

Balance Sheet
Governmental Funds
December 31, 2005

	General Fund	Volunteer Fire Department	2003 LCDBG Capital Project Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 710,256	$ 899,518	$ -	$ 1,609,774
Taxes Receivable, Net	48,268	-	-	48,268
Due From Other Funds	41,301	595	-	41,896
Due From Other Governments	65,195	52,558		117,753
Other Receivables			-	-
Total Assets	$ 865,020	$ 952,671	-	$ 1,817,691
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	$ 32,897	$ 6,568	-	$ 39,465
Other Accrued Expenses	49,651	2,635	-	52,286
Due to Other Funds	595	10,878	-	11,473
Total Liabilities	83,143	20,081	-	103,224
Fund Balance:				
Reserved for Capital Projects	325,540	-	-	325,540
Unreserved	456,337	932,590	-	1,388,927
Total Fund Balance	781,877	932,590	-	1,714,467
Total Liabilities and Fund Balances	$ 865,020	$ 952,671	$ -	$ 1,817,691

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement D

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2005

Fund Balances, Governmental Funds	$	1,714,467
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds. These assets consist of:		
Capital assets, net of depreciation		734,506
Long-term liability, consisting of sick leave convertible to benefits upon retirement, is recorded in the statement of net assets as follows:		
Accrued Sick Leave Covertible to Retirement		-114,964
Net Assets, Governmental Activities	$	2,334,009

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement E

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Volunteer Fire Department	2003 LCDBG Capital Project Fund	Total Governmental Funds
Revenues				
Taxes	$ 768,330	$ -	$ -	$ 768,330
Licenses and Permits	133,821	-	-	133,821
Intergovernmental	93,289	257,775	-	351,064
Charges for Services	20,599	-	-	20,599
Fines and Forfeits	14,399	-	-	14,399
Sanitation Fees	82,078	-	-	82,078
Interest Income	22,313	3,797	-	26,110
Recreation Program Receipts	4,249	-	-	4,249
Rental Income	4,200	-	-	4,200
Fire Reports	-	110	-	110
Police Calendar Sales	1,000	-	-	1,000
Miscellaneous	9,880	118	-	9,998
2003 LCDBG Grant	-	-	109,964	109,964
Total Revenues	1,154,158	261,800	109,964	1,525,922
Expenditures				
General Government	622,842	-	-	622,842
Public Safety:				
Police Protection	358,194	-	-	358,194
Fire Protection	131,813	199,861	-	331,674
Streets and Sanitation	357,431	-	-	357,431
Health	6,145	-	-	6,145
2003 LCDBG Sewer Improvements	-	-	136,964	136,964
Total Expenditures	1,476,425	199,861	136,964	1,813,250
Excess Revenues (Expenditures)	-322,267	61,939	-27,000	-287,328
Other Financing Sources (Uses)				
Sales of Fixed Assets	1,076	-	-	1,076
Operating Transfers In	147,865	-	27,000	174,865
Operating Transfers Out	-27,000	-	-	-27,000
Total Other Financing Sources (Uses)	121,941	-	27,000	148,941
Net Change in Fund Balance	-200,326	61,939	-	-138,387
Fund Balance, Beginning	982,203	870,651	-	1,852,854
Fund Balance, Ending	$ 781,877	$ 932,590	$ -	$ 1,714,467

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement F

Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2005

Net Change in Fund Balances, Governmental Funds		$	-138,387
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:			
2003 LCDBG Sewer Improvements			136,964
Capital Outlay			78,749
Depreciation Expense			-63,857
Construction for the LCDBG project was completed in a governmental fund (LCDBG Capital Capital Projects Fund). As construction was completed, the value of the construction was removed from the governmental capital asset listing and recorded in the Utility Fund:			
Construction in progress - transferred			-1,018,935
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss is reported on the Statement of Net Assets. The difference consists of the proceeds of the sale (recorded in the governmental fund) plus the gain or minus the loss reported on the sale as follows:			
Proceeds from sale	-1,076		
Loss reported on sale	-1,624		
Net difference between governmental and government-wide			-2,700
Compensated absences convertible to retirement are recorded as long-term in the governmental statement of net assets. The change from the prior year is a reconciling difference between the governmental statement of activities and the fund statements as follows:			
Change in compensated absences			1,899
Change in Net Assets, Governmental Activities		$	-1,006,267

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement G

Statement of Net Assets
Proprietary Funds
December 31, 2005

	Enterprise Funds		
	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 609,812	$ 45,510	$ 655,322
Accounts Receivable, Net	240,070	-	240,070
Other Receivable	622	-	622
Inventory	36,033	-	36,033
Total Current Assets	886,537	45,510	932,047
Restricted Assets:			
RUS Bond Reserve - Cash	33,820	-	33,820
RUS Bond Contingency - Cash	37,760	-	37,760
Customers' Deposits - Cash	90,569	-	90,569
Total Restricted Assets	162,149	-	162,149
Property, Plant and Equipment:			
Land	21,100	-	21,100
Building	35,898	-	35,898
Water System	1,974,969	-	1,974,969
Gas System	801,615	-	801,615
Sewer System	4,620,084	-	4,620,084
Computer System	12,606	-	12,606
Equipment	172,486	10,741	183,227
Accumulated Depreciation	-3,531,040	-10,741	-3,541,781
Net Property, Plant and Equipment	4,107,718	-	4,107,718
Total Assets	5,156,404	45,510	5,201,914

(Continued)
The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement G

Statement of Net Assets
Proprietary Funds
December 31, 2005

	Enterprise Funds					
		Utility Fund		Housing Assistance Fund		Total Enterprise Funds
Liabilities						
Current Liabilities (Payable from Current Assets):						
Accounts Payable	$	137,659	$	1,500	$	139,159
Other Accrued Expenses		32,206		-		32,206
Accrued Interest Payable		3,194		-		3,194
Due to Other Governments		-		11,808		11,808
Due To Other Funds		-		30,423		30,423
Total Current Liabilities (Payable from Current Assets)		173,059		43,731		216,790
Current Liabilities (Payable from Restricted Assets):						
Customer Deposits		87,998		-		87,998
Revenue Bonds Payable - RUS		14,660		-		14,660
Total Current Liabilities (Payable from Restricted Assets)		102,658		-		102,658
Long-Term Liabilities:						
Revenue Bonds Payable - RUS		762,395		-		762,395
Total Long-Term Liabilities		762,395		-		762,395
Total Liabilities		1,038,112		43,731		1,081,843
Net Assets						
Invested in Capital Assets, Net of Related Debt		3,330,663		-		3,330,663
Restricted for Debt Service		74,151		-		74,151
Unrestricted		713,478		1,779		715,257
Total Net Assets	$	4,118,292	$	1,779	$	4,120,071

(Concluded)

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement H

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds		
	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Operating Revenues			
Water Sales	$ 283,978	$ -	$ 283,978
Sewer Service Charges	276,899	-	276,899
Gross Profit on Gas Sales	138,344	-	138,344
Service Connections	699	-	699
Delinquent Charges	21,673	-	21,673
Bad Debt Recoveries	3,185	-	3,185
HUD Contributions	-	200,127	200,127
Other Revenues	5,429	-	5,429
Total Operating Revenues	730,207	200,127	930,334
Operating Expenses			
Analysis Fee	4,750	-	4,750
Bank Charges	69	-	69
Cathodic Protection	10,804	-	10,804
Computer	584	-	584
Depreciation	229,412	-	229,412
Electricity	99,102	-	99,102
Equipment Fuel	9,004	-	9,004
Gas Meter Reading	5,331	-	5,331
Gas Operator Certification	5,605	-	5,605
Health Insurance	43,877	-	43,877
Housing and Utility Assistance	-	175,024	175,024
Insurance	5,647	6,773	12,420
Miscellaneous	23,636	-	23,636
Municipal Employees' Retirement	11,642	1,610	13,252
Odor Inspection	705	-	705
Office Expense	3,602	1,282	4,884
Payroll Taxes	10,362	1,247	11,609
Professional Services	41,195	2,760	43,955
Repairs & Maintenance	39,897	-	39,897
Safe Drinking Water Fee	2,696	-	2,696
Salaries and Wages	139,240	16,772	156,012
Uniforms	95	-	95
Water Treatment Supplies	29,072	-	29,072
Total Operating Expenses	716,327	205,468	921,795

(Continued)

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement H

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds		
	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Operating Income (Loss)	$ 13,880	$ -5,341	$ 8,539
Nonoperating Revenues (Expenses)			
Interest Income	24,326	1,028	25,354
Interest Expense	-39,175	-	-39,175
Total Nonoperating Revenues (Expenses)	-14,849	1,028	-13,821
Income (Loss) Before Contributions and Transfers	-969	-4,313	-5,282
Contributions and Transfers			
Operating Transfers In - LCDBG	1,018,935	-	1,018,935
Operating Transfers Out	-147,865	-	-147,865
Capital Contributions	-	-	-
Total Contributions and Transfers	871,070	-	871,070
Change in Net Assets	870,101	-4,313	865,788
Net Assets, Beginning, Before Prior Period Adjustments	3,252,318	6,970	3,259,288
Prior Period Adjustments (Note 19)	-4,127	-878	-5,005
Net Assets, Beginning, After Prior Period Adjustments	3,248,191	6,092	3,254,283
Net Assets, Ending	$ 4,118,292	$ 1,779	$ 4,120,071

(Concluded)

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement I

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds		
	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Received From Customers	$ 1,242,756	$ 211,935	$ 1,454,691
Received (Paid) for Meter Deposit Fees	4,417	-	4,417
Other Receipts	-466	-	-466
Received (Paid) for Interfund Services	-266,581	5,027	-261,554
Payments for Operations	-820,919	-179,066	-999,985
Payments to Employees	-205,123	-26,402	-231,525
Net Cash Provided (Used) by Operating Activities	-45,916	11,494	-34,422
Cash Flows from Noncapital Financing Activities			
Transfers to Other Funds	-120,865	-	-120,865
Net Cash Provided (Used) by Noncapital Financing Activities	-120,865	-	-120,865
Cash Flows from Capital and Related Financing Activities			
Paid for Capital Acquisitions	-59,412	-	-59,412
Principal Payments, Revenue Bonds Payable	-13,949	-	-13,949
Interest Payments, Revenue Bonds Payable	-39,232	-	-39,232
Net Cash Provided (Used) by Capital and Related Financing Activities	-112,593	-	-112,593
Cash Flows from Investing Activities			
Receipt of Interest	24,326	1,028	25,354
Net Cash Provided (Used) by Investing Activities	24,326	1,028	25,354
Net Increase (Decrease) in Cash	-255,048	12,522	-242,526
Cash and Cash Equivalents, Beginning of Year	989,716	32,988	1,022,704
Cash and Cash Equivalents, End of Year	$ 734,668	$ 45,510	$ 780,178
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets			
Cash and Cash Equivalents, Unrestricted	$ 609,812	$ 45,510	$ 655,322
Cash and Cash Equivalents, Restricted	162,149	-	162,149
Total Cash and Cash Equivalents	$ 771,961	$ 45,510	$ 817,471

(Continued)

The accompanying notes are an integral part of this financial statement.

Town of Kentwood, Louisiana

Statement I

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds		
	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	$ 13,880	$ -5,341	$ 8,539
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	229,412	-	229,412
Change in Accounts Receivable	-36,004	-	-36,004
Change in Other Receivables	-465	-	-465
Change in Inventories	-6,196	-	-6,196
Change in Prepaid Insurance	-	-	-
Change in Accounts Payable	14,701	-	14,701
Change in Accrued Expenses	920	-	920
Change in Due From Other Funds	-	-	-
Change in Due To Other Funds	-266,581	5,027	-261,554
Change in Due To Other Governments	-	11,808	11,808
Change in Customer Deposits	4,417	-	4,417
Net Cash Provided (Used) by Operating Activities	$ -45,916	$ 11,494	$ -34,422

(Concluded)
The accompanying notes are an integral part of this financial statement.

Basic Financial Statements

Notes to the Financial Statements

Introduction

The Town of Kentwood, Louisiana was incorporated in March of 1893 under the provisions of the Lawrason Act. The Town operates under a Mayor/Board of Aldermen form of government, with the Mayor and each of five aldermen elected at large for four-year terms. The Mayor and Aldermen are compensated per diem for each meeting attended; in addition, the Mayor receives a salary. Kentwood is located directly off Interstate I-55 in the northern section of Tangipahoa Parish. The Town's total population is 2,205 as reported by the U.S. Census Bureau, Census 2000. The Town provides police and fire protection, services to maintain and develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. The Town provides water, gas, and sewer utility services to 1,003 water customers, 525 gas customers, and 854 sewer customers inside and outside of the Town limits. The Town employs 25 full-time employees in addition to the Mayor and Board of Aldermen.

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

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The Town reports the following major proprietary funds:

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

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

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

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

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

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

C. Deposits and Investments

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

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

D. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage	Expiration Date
General Corporate Purposes	6.40	6.40	None

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

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

One percent sales and use tax to be dedicated and used for not to exceed 50% of the proceeds for the constructing, acquiring, improving, maintaining, and operating solid waste collection and disposal facilities; the remainder of the proceeds for the purpose of paying police officers and other Town employees' salaries and other general operating costs of the Town; constructing and acquiring additions, extensions, and improvements to the sewerage collection, disposal, and treatment plant and system, the waterworks plant and system, and the natural gas system; constructing, paving, resurfacing, and improving streets, sidewalks, roads, bridges, alleys, drains, and drainage canals, and acquiring necessary equipment for the maintenance thereof; acquiring fire protection and public safety equipment and facilities; and constructing or improving public buildings, jails, public parks and recreation facilities, including the necessary equipment and furnishings therefor. This tax expires on June 30, 2023.

E. Inventories and Prepaid Items

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

F. Restricted Assets

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

G. Capital Assets

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

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

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

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

Buildings & Improvements	20 - 40 Years
Machinery and Equipment	5 - 15 Years
Infrastructure	20 - 40 Years
Gas System	20 - 40 Years
Water System	20 - 40 Years
Sewer System	20 - 40 Years

H. Compensated Absences

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

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

Years of Service	1-5	6+
Vacation Days/Year	10	15
Sick Leave Days/Year	12	12

Office (administrative) personnel are allowed to accumulate 210 hours of vacation leave; all other employees working eight hours per day are allowed to accumulate 240 hours of vacation leave. There is no limit on the accumulation of sick leave.

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

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

I. Long-Term Obligations

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

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

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Comparative Data/Reclassifications

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

L. Extraordinary and Special Items

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

M. Estimates

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

N. Reconciliations of Government-Wide and Fund Financial Statements

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

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.

4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.

6. All budgetary appropriations lapse at the end of each fiscal year.

7. Budgets for the general and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for enterprise funds are presented on the accrual basis of accounting. Other governmental funds are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

The following funds had actual revenues and other sources below budgeted revenues and other sources, resulting in unfavorable variances which were in violation of the Local Government Budget Act, for the fiscal year ended December 31, 2005:

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	$ 1,509,350	$ 1,490,428	$ 1,303,099	$ (187,329)
Kentwood Volunteer Fire Dept	$ 300,100	$ 296,200	$ 261,800	$ (34,400)

For the General Fund, actual revenues and other source were $187,329 (13%) below budgeted revenues and other sources. The variance occurred when the Town chose not to transfer to the General Fund the total amount budgeted within the Utility Fund. The Town will more closely monitor the transfer of funds at fiscal year end and amend the budget accordingly. For the Kentwood Volunteer Fire Department, actual revenues and other sources were $34,400 (12%) below budgeted revenues and other sources. The variance occurred as the Parish Council revised and corrected its rates for transfer of property taxes and revenue sharing funds. The Town will more closely monitor changes made by the Council and amend its budget accordingly.

3. Cash and Cash Equivalents

At December 31, 2005, the Town has cash and cash equivalents (book balances) totaling $2,427,246, as follows:

Cash on Hand	$ 337
Demand Deposits	763,711
Time & Savings Accounts	71,645
Time Deposits (See Note 4)	211,446
Louisiana Asset Management Pool (See Note 4)	1,380,107
	$ 2,427,246

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

At December 31, 2005, the municipality has $1,060,567 in deposits (collected bank balances), consisting of $849,121 in demand deposits and $211,446 in certificates of deposits. These deposits are secured from risk by $300,000 of federal deposit insurance and $760,567 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

4. Investments

Investments are categorized into these three categories of credit risk:

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

All investments held by the Town fall into category I credit risk, defined as "insured or registered, or securities held by the Town or its agent in the Town's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

At fiscal year-end, the Town's investment balances were as follows:

	Carrying Amount	Fair Value
Time Deposits	$ 211,446	$ 211,446
Louisiana Asset Management Pool	1,380,107	1,380,107
	$ 1,591,553	$ 1,591,553

In accordance with GASB Codification Section I50.165, the investment in LAMP at December 31, 2005, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

5. Receivables

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise taxes, occupational licenses, fines, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The Governmental Fund receivables at December 31, 2005 consist of the following:

	General Fund	Volunteer Fire Department	Total Governmental Funds
Taxes:			
Ad Valorem	$ 31,070	$ -	$ 31,070
Public Utility Franchise	17,198	-	17,198
Intergovernmental:			
Tangipahoa Parish School Board,	63,171	-	63,171
State of Louisiana, Beer Tax	2,025	-	2,025
Tangipahoa Parish Council	-	52,558	52,558
	$ 113,464	$ 52,558	$ 166,022

The Enterprise Fund accounts receivable at December 31, 2005 consist of the following:

	Utility Fund
Current	$ 183,268
31 - 60 Days	11,265
61 - 90 Days	6,227
Over 90 Days	10,984
Subtotal	211,744
Less Allowance for Bad Debt	5,550
Accounts Receivables, Net	206,194
Accrued Billings	33,876
	$ 240,070

6. Interfund Receivables/Payables

The following is a detailed list of interfund balances reported in the fund financial statements on December 31, 2005:

	Due From Other Funds	Due To Other Funds
General Fund	$ 41,301	$ 595
Volunteer Fire Department	595	10,878
Housing Assistance Fund	-	30,423
	$ 41,896	$ 41,896

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

7. Capital Assets

The Town elected early implementation of GASB 34 in the fiscal year ending December 31, 2002. However, as a Phase III government (a government with annual revenues of less than $10 million), the Town elected not to retroactively report infrastructure assets prior to implementation. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended December 31, 2002, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

Capital assets and depreciation activity as of and for the year ended December 31, 2005 for governmental activities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 271,515	$ -	$ -	$ 271,515
Total Capital Assets Not Being Depreciated	271,515	-	-	271,515
Capital Assets Being Depreciated:				
Buildings and Improvements	886,500	-	-	886,500
Vehicles and Equipment	540,616	74,698	27,108	588,206
Infrastructure	22,026	4,051	-	26,077
Total Capital Assets Being Depreciated	1,449,142	78,749	27,108	1,500,783
Less Accumulated Depreciation for:				
Buildings and Improvements	635,437	17,999	-	653,436
Vehicles and Equipment	362,631	44,588	24,408	382,811
Infrastructure	275	1,270	-	1,545
Total Accumulated Depreciation	998,343	63,857	24,408	1,037,792
Capital Assets Being Depreciated, Net	450,799	14,892	2,700	462,991
Governmental Activities Capital Assets, Net	$ 722,314	$ 14,892	$ 2,700	$ 734,506

Depreciation was charged to governmental functions as follows:

General Administration	$ 22,621
Police Protection	15,179
Fire Protection	11,986
Streets and Sanitation	14,071
	$ 63,857

Construction in progress for the 2003 LCDBG Sewer Project was completed during the fiscal year ending December 31, 2005 at a total cost of $1,108,935 and the value of the completed construction was transferred to and recorded within the Town's Utility Fund.

Capital assets and depreciation activity as of and for the year ended December 31, 2005 for business-type activities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 21,100	$ -	$ -	$ 21,100
Total Capital Assets Not Being Depreciated	21,100	-	-	21,100
Capital Assets Being Depreciated:				
Buildings and Improvements	35,898	-	-	35,898
Vehicles and Equipment	180,636	19,574	(15,118)	185,092
Water Utility System	1,974,969	-	-	1,974,969
Gas Utility System	801,615		-	801,615
Sewer Utility System	3,590,475	1,031,773	(2,164)	4,620,084
Total Capital Assets Being Depreciated	6,583,593	1,051,347	(17,282)	7,617,658
Less Accumulated Depreciation for:				
Buildings and Improvements	31,201	1,743	-	32,944
Vehicles and Equipment	176,328	2,920	17,282	161,966
Water Utility System	861,466	16,301	-	877,767
Gas Utility System	559,157	156,424	-	715,581
Sewer Utility System	1,690,757	52,025	-	1,742,782
Total Accumulated Depreciation	3,318,909	229,413	17,282	3,531,040
Capital Assets Being Depreciated, Net	3,264,684	821,934	-	4,086,618
Business-Type Activities Capital Assets, Net	$ 3,285,784	$ 821,934	$ -	$ 4,107,718

8. Interfund Transfers

The following is a detailed list of interfund transfers reported in the fund financial statements on December 31, 2005:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	$ 27,000	$ -
LCDBG Capital Projects Fund	-	27,000
	$ 27,000	$ 27,000

The reason for the interfund transfers was to provide additional funds for completion of the LCDBG 2003 project. A transfer of $1,018,935 was also recorded from the government-wide statement of activities to the enterprise fund as the LCDBG construction was completed.

9. Accounts, Salaries, and Other Payables

The Governmental Fund payables of $91,751 at December 31, 2005 are as follows:

	General Fund	Volunteer Fire Department	Total Governmental Funds
Accounts	$ 32,897	$ 6,568	$ 39,465
Salaries	20,536	-	20,536
Vacation	15,696	-	15,696
Payroll Withholdings	4,866	-	4,866
Other Accrued Expenses	8,553	2,635	11,188
	$ 82,548	$ 9,203	$ 91,751

The Enterprise Fund payables of $134,071 at December 31, 2005 are as follows:

	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Accounts	$ 98,683	$ 1,500	$ 100,183
Salaries	5,567	-	5,567
Vacation	5,753	-	5,753
Sick Leave	20,886	-	20,886
Sales Tax	1,682	-	1,682
	$ 132,571	$ 1,500	$ 134,071

The Housing Fund also recorded $11,808 of current liabilities consisting of the amount due to the U.S. Department of Housing and Urban Development at December 31, 2005.

10. Short-Term Debt

The Town had no short-term debt outstanding at December 31, 2005, other than the current portion of revenue bonds payable to the U.S. Rural Utilities Service, Department of Agriculture.

11. Leases

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The Town had no capital or operating lease activity during the year ended December 31, 2005.

12. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2005:

	Governmental Activities		Business-Type Activities	
	Capital Leases	Revenue Bonds	Capital Leases	Revenue Bonds
Beginning Balance	$ -	$ -	$ -	$ 791,004
Increases	-	-	-	-
Decreases	-	-	-	13,949
Ending Balance	$ -	$ -	$ -	$ 777,055

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

	Governmental Activities		Business-Type Activities	
	Capital Leases	Revenue Bonds	Capital Leases	Revenue Bonds
Current Portion	$ -	$ -	$ -	$ 14,660
Long-Term Portion	-	-	-	762,395
	$ -	$ -	$ -	$ 777,055

As of December 31, 2005, outstanding revenue bond issues are as follows:

	Principal Outstanding
$910,000 Sewer Revenue Bonds, dated 06/01/1992, due in monthly installments of $4,431.70 through 06/01/2033, interest at 5% (this issue is secured by the income and revenues derived from the operation of the Town's Utility System).	$ 777,055
	$ 777,055

The annual requirements to amortize all debt outstanding at December 31, 2005, including interest payments of $614,497 are as follows:

	Capital Leases	Revenue Bonds	Total
2006	$ -	$ 53,180	$ 53,180
2007	-	53,180	53,180
2008	-	53,180	53,180
2009	-	53,180	53,180
2010	-	53,180	53,180
2011 - 2015	-	265,902	265,902
2016 - 2020	-	265,902	265,902
2021 - 2025	-	265,902	265,902
2026 - 2030	-	265,902	265,902
2031 - 2032	-	62,044	62,044
	$ -	$ 1,391,552	$ 1,391,552

13. Flow of Funds, Restrictions on Use - Utilities Revenues

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

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

There shall also be set aside into Utility System Revenue Bond Reserve Fund a sum equal to 5% of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default. As of December 31, 2005, the Town has accumulated $33,820 in this account.

Funds will also be set into a Depreciation and Contingency Fund after completion of the project at the rate of $250 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in the other bond funds. As of December 31, 2005, the Depreciation and Contingency Fund reserve had a balance of $37,760.

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

14. Retirement Systems

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

A. Municipal Employee Retirement System of Louisiana (System)

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. Furthermore, with at least 10 years of creditable service, but less than 30 years, an employee may take early retirement benefits commencing at age 60, with the basic benefit reduced 3 per cent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

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

Funding Policy. Under Plan B, members are required by state statute to Contribute 5.0 percent of their annual covered salary and the Town of Kentwood is required to contribute at an actuarially determined rate. The current rate is 9.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Kentwood are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2005, and 2004 were $23,779, and $19,854, respectively, equal to the required contributions for each year.

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

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Police

Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to Contribute 7.5 percent of their annual covered salary and the Town of Kentwood is required to contribute at an actuarially determined rate. The current rate is 16.25 percent of annual covered payroll. The contribution requirements of plan members and the Town of Kentwood are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2005, and 2004 were $20,083 and $22,575, respectively, equal to the required contributions for each year.

C. Firefighters Retirement System of Louisiana (System)

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

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

Funding Policy. Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 24.00 percent of annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. There were no participants in the retirement plan for firefighters for the fiscal year ending December 31, 2005.

15. Reserved and Designated Fund Balances/Net Assets

At December 31, 2005, the general fund had reserved fund balances of $325,540, representing the Town's funds reserved for the construction of municipal buildings due to restrictions placed on the original bond issue used to construct a building which the Town later sold.

At December 31, 2005, the proprietary fund had restricted net assets of $70,407, representing the Town's funds restricted by revenue bond debt covenants and contracts with customers for meter deposits, net of the related liability.

At December 31, 2005, the proprietary fund had designated net assets of $191,662, representing the Town's funds designated by the Board of Aldermen to be used for planned repairs and capital improvements to the Town's natural gas system. Because the designated amounts represent planned actions, and not actual commitments, they are included in unrestricted net assets in the Town's financial statements.

16. Risk Management

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

17. Contingent Liabilities

At December 31, 2005, the Town was not involved in any outstanding litigation or claims.

18. On-Behalf Payments for Fringe Benefits and Salaries

During the year ended December 31, 2005, the Town received the following on-behalf payments, which were recorded as revenues when received and expenditures when the cost was incurred:

State Supplemental Pay, Policemen	$	25,128

19. Prior-Period Adjustment

The following prior period adjustments were made to correct the beginning net assets in the utility funds:

Date	Description		Amount
12/31/04	Proprietary Fund Type - Utility Fund Net Assets, Beginning	$	3,252,318
	Prior Period Adjustments:		
	- Correcting Prepaid Insurance		(4,127)
12/31/04	Proprietary Fund Type - Utility Fund Net Assets, Restated	$	3,248,191

Date	Description		Amount
12/31/04	Proprietary Fund Type - Housing Fund Net Assets, Beginning	$	6,970
	- Record HUD Adjustment to Amount Due HUD		(878)
12/31/04	Proprietary Fund Type - Housing Fund Net Assets, Restated	$	6,092

20. Subsequent Events

The Town of Kentwood has received a total of $41,200 based on a Project Work (PW) submitted to the U.S. Federal Emergency Management Administration (FEMA) for disaster assistance following Hurricane Katrina. Documented expenses for disaster assistance are $9,173 less than the amount received, indicating the $9,173 may be payable to FEMA. However, the Town has an invoice totaling $25,000 for a generator purchased by the Town in response to the disaster. It must be determined if the Town of Kentwood will submit an additional PW to cover the costs of the generator purchase.

Required Supplemental Information (Part II)

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Governmental Funds

Town of Kentwood, Louisiana

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance With Final Budget: Favorable (Unfavorable)
Revenues	Original	Final		
Taxes:				
Ad Valorem Taxes	$ 66,300	$ 66,000	$ 60,201	$ -5,799
Sales and Use Taxes	570,000	628,000	642,332	14,332
Public Utility Franchise Taxes	49,300	41,000	58,096	17,096
Alcoholic Beverage Tax	7,500	7,100	7,701	601
Licenses and Permits:				
Business Privilege and Insurance License	115,000	123,000	123,072	72
Building Permits	4,500	4,000	4,046	46
Chain Store Permits	1,700	1,100	1,060	-40
Liquor Licenses	4,400	4,400	5,643	1,243
Intergovernmental:				
Capital District Law Enforcement Grant	2,000	2,183	2,183	-
Sweet Home Folklife Festival Grant	4,000	1,000	4,640	3,640
Rural Development Grant	9,750	9,750	7,770	-1,980
Commission on Law Enforcement	3,000	3,000	3,048	48
State Supplemental Pay	30,000	23,000	25,128	2,128
Fire District No. 2	8,000	8,320	8,320	-
FEMA	-	32,200	41,200	9,000
WalMart Grant	-	1,000	1,000	-
Charges for Services	23,000	18,575	20,599	2,024
Fines and Forfeits	13,000	13,000	14,399	1,399
Sanitation Fees	83,800	81,500	82,078	578
Interest	4,300	20,000	22,313	2,313
Recreation Program Receipts	4,300	4,300	4,249	-51
Rent	4,200	4,200	4,200	-
Police Calendar Sales	-	-	1,000	1,000
Miscellaneous	3,300	7,800	9,880	2,080
Total Revenues	1,011,350	1,104,428	1,154,158	49,730

(Continued)

Town of Kentwood, Louisiana

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2005

Expenditures	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts: GAAP Basis	Variance With Final Budget: Favorable (Unfavorable)
General Government:				
Alderman Travel	$ 4,100	$ 3,000	$ 2,624	$ 376
Assessor Tax Roll	2,000	2,000	1,909	91
City Hall Maintenance	4,000	3,200	1,283	1,917
City Hall Utilities	17,800	19,000	18,157	843
Civic Center Maintenance	3,000	2,200	4,521	-2,321
Civic Center Utilities	7,000	7,300	7,327	-27
Clerk's Travel/Expense	1,000	700	627	73
Commodity Center Rental	-	-	2,440	-2,440
Commodity Center Utilities	1,000	1,300	1,608	-308
Community Center Grant Expense	-	-	6,868	-6,868
Computer Expense	5,000	2,600	-	2,600
Condemned Housing Removal	20,000	-	-	-
Coroner's Fees	3,000	1,500	1,350	150
Council on Aging	2,400	2,400	2,400	-
Council on Aging Maintenance	500	400	400	-
Council on Aging Utilities	4,500	5,000	4,751	249
Dues & Subscriptions	2,500	2,500	1,207	1,293
Health Unit Maintenance	500	300	296	4
Health Unit Utilities	3,500	3,700	3,464	236
Hospitalization Insurance	206,700	181,600	152,728	28,872
Insurance	42,000	45,000	64,749	-19,749
Kentwood Museum	-	-	27	-27
Life Insurance	-	-	2,029	-2,029
Martin Luther King Park Maintenance	1,500	1,000	989	11
Martin Luther King Park Utilities	1,000	1,200	1,264	-64
Mayor's Expense	5,000	3,600	3,264	336
Meeting Expense	1,000	1,000	209	791
Miscellaneous	4,500	4,800	5,185	-385
Museum Maintenance	500	200	160	40
Museum Utilities	2,500	3,000	2,843	157
Office Supplies & Postage	6,000	10,000	8,761	1,239
Official Journal and Other Advertising	5,500	5,800	4,278	1,522
Payroll Tax	46,300	45,000	41,881	3,119
Professional Services	40,000	55,000	33,680	21,320
Promotion Expense	1,500	2,000	2,922	-922
Recreation Program	8,500	7,000	8,997	-1,997
Retirement	9,600	10,500	10,527	-27
Retirement Promotion	800	-	-	-

(Continued)

Town of Kentwood, Louisiana

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
Salaries - Clerical	$ 87,600	$ 95,000	$ 98,339	$ -3,339
Salaries - Attorney	2,400	2,400	2,400	-
Salaries - Janitorial	10,900	9,000	8,558	442
Salaries - Mayor and Aldermen	39,000	39,000	39,000	-
Salaries - Museum	13,000	14,000	13,849	151
Shared Cost of Public Service Program	800	800	720	80
Sweet Home Folklife Program	5,000	5,000	6,363	-1,363
Sweet Home Museum Maintenance	1,500	1,000	2,062	-1,062
Sweet Home Museum Utilities	2,000	2,500	2,211	289
Town Attorney Travel	1,000	200	180	20
Unemployment	-	-	976	-976
Uniforms	2,000	3,700	3,615	85
Workman's Compensation	-	-	1,147	-1,147
Zoning Committee - Per Diem	1,500	100	60	40
Zoning Maps	4,700	-	-	-
Capital Expenditures	10,000	9,500	37,637	-28,137
Total General Government	646,100	616,000	622,842	-6,842
Public Safety:				
Police Protection:				
Auto - Fuel	20,000	26,500	21,478	5,022
Auto - Repairs & Maintenance	18,000	6,000	6,091	-91
Capital District Law Enforcement	-	-	6,083	-6,083
Computer Expense	2,000	6,700	5,789	911
Dues & Subscriptions	400	400	400	-
Housing Prisoners	500	500	366	134
Miscellaneous	1,000	2,200	2,856	-656
Office Expense	2,000	2,000	1,618	382
Police Retirement Contributions	25,000	20,500	20,083	417
Salaries	282,000	270,000	259,712	10,288
Schools & Seminars	4,000	3,000	1,800	1,200
Special Fund	1,000	500	500	-
Supplies	4,000	4,000	3,247	753
Telephone	4,000	5,800	5,979	-179
Uniforms	3,000	2,000	1,663	337
Workman's Compensation	-	-	11,694	-11,694
Capital Outlay	22,000	20,500	8,835	11,665
Total Police Protection	388,900	370,600	358,194	12,406

(Continued)

Town of Kentwood, Louisiana

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
Fire Protection:				
Miscellaneous	$ 2,000	$ 2,600	$ 2,686	$ -86
Salaries	79,700	83,000	80,456	2,544
Telephone	4,000	4,000	3,628	372
Truck - Fuel	1,500	1,500	1,246	254
Truck - Repairs & Maintenance	5,000	5,000	2,568	2,432
Fire Call Reimbursement	8,000	9,500	9,456	44
Workman's Compensation	-	-	5,088	-5,088
Capital Outlay	-	25,000	26,685	-1,685
Total Fire Protection	100,200	130,600	131,813	-1,213
Total Public Safety	489,100	501,200	490,007	11,193
Streets and Sanitation:				
Cemetery Maintenance Contract	20,000	20,000	7,291	12,709
Cemetery Miscellaneous	-	-	19	-19
Equipment Fuel	8,000	9,500	8,316	1,184
Maintenance Contract	12,000	12,000	10,825	1,175
Miscellaneous	3,300	3,300	2,598	702
Repairs & Maintenance	9,000	13,000	7,590	5,410
Salaries	46,900	44,000	45,294	-1,294
Street and Traffic Lights	47,000	47,000	46,780	220
Street Materials & Supplies	8,000	14,500	12,691	1,809
Tree Maintenance Program	15,000	7,600	7,520	80
Uniforms	800	800	446	354
Waste Management	185,000	198,000	199,272	-1,272
Workman's Compensation	-	-	3,197	-3,197
Capital Outlay	12,000	-	5,592	-5,592
Total Streets and Sanitation	367,000	369,700	357,431	12,269

(Continued)

Town of Kentwood, Louisiana

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
Health:				
Animal Control:				
Salaries	$ 4,700	$ 4,700	$ 4,687	$ 13
Workman's Compensation	-	-	92	-92
Other Expenses	2,500	1,500	1,366	134
Total Health	7,200	6,200	6,145	55
Total Expenditures	1,509,400	1,493,100	1,476,425	16,675
Excess Revenues (Expenditures)	-498,050	-388,672	-322,267	66,405
Other Financing Sources (Uses)				
Sales of Fixed Assets	-	1,000	1,076	76
Operating Transfers In	498,000	385,000	147,865	-237,135
Operating Transfers Out	-	-	-27,000	-27,000
Total Other Financing Sources (Uses)	498,000	386,000	121,941	-264,059
Net Change in Fund Balance	-50	-2,672	-200,326	-197,654
Fund Balance, Beginning	1,060,614	982,203	982,203	-
Fund Balance, Ending	$ 1,060,564	$ 979,531	$ 781,877	$ -197,654

(Concluded)

Town of Kentwood, Louisiana

Schedule 2

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Kentwood Volunteer Fire Department
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental:				
Fire Insurance Rebate:				
Tangipahoa Parish	$ 16,000	$ 16,000	$ 16,815	$ 815
St. Helena Parish	3,200	3,200	3,396	196
Town of Kentwood	-	-	-	-
Tangipahoa Parish Allocation	214,000	214,000	179,064	-34,936
Forestry Grant	5,000	-	-	-
FEMA Grant	58,500	58,500	58,500	-
Other	2,000	2,000	118	-1,882
Fire Reports	200	100	110	10
Interest	1,200	2,400	3,797	1,397
Total Revenues	300,100	296,200	261,800	-34,400
Expenditures				
Dues and Subscriptions	200	300	260	40
Firemen Expense	20,000	21,000	19,890	1,110
Fuel & Oil	3,200	6,500	5,668	832
Insurance	29,000	29,000	10,972	18,028
Miscellaneous	2,700	2,700	-	2,700
Office Supplies	2,000	3,000	2,517	483
Payroll Taxes	700	800	523	277
Professional Services	5,000	5,000	2,495	2,505
Public Service Education	2,500	2,500	-	2,500
Repairs	10,500	15,000	12,709	2,291
Salaries, Administrative	3,200	3,200	3,236	-36
Salaries, Fire Chief	3,900	3,900	3,600	300
Salaries, Firemen	3,300	3,900	3,236	664
Small Tools and Equipment	19,000	19,000	14,058	4,942
Supplies	2,100	3,500	3,397	103
Training and Tuition	6,100	6,100	1,474	4,626
Uniforms	2,500	1,000	706	294
Utilities and Telephone	1,100	1,100	1,057	43
Capital Outlay	300,000	120,000	114,063	5,937
Total Expenditures	417,000	247,500	199,861	47,639
Excess Revenues (Expenditures)	-116,900	48,700	61,939	13,239

(Continued)

Town of Kentwood, Louisiana

Schedule 2

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Kentwood Volunteer Fire Department
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance With Final Budget: Favorable (Unfavorable)
	Original	Final		
Other Financing Sources (Uses)				
Operating Transfers In	$ -	$ -	$ -	$ -
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-116,900	48,700	61,939	13,239
Fund Balance, Beginning	358,142	870,651	870,651	-
Fund Balance, Ending	$ 241,242	$ 919,351	$ 932,590	$ 13,239

(Concluded)

Other Supplemental Information

Town of Kentwood, Louisiana

Schedule 3

Comparative Schedule of Net Assets
Proprietary Fund Type - Utility Fund
December 31, 2005 and 2004

	Enterprise Fund	
	2005	2004
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 609,812	$ 838,077
Accounts Receivable, Net	240,070	204,066
Other Receivable	622	156
Inventory	36,033	29,837
Total Current Assets	886,537	1,072,136
Restricted Assets:		
RUS Bond Reserve - Cash	33,820	30,734
RUS Bond Contingency - Cash	37,760	35,060
Customers' Deposits - Cash	90,569	85,845
Total Restricted Assets	162,149	151,639
Property, Plant and Equipment:		
Land	21,100	21,100
Building	35,898	35,898
Water System	1,974,969	1,974,969
Gas System	801,615	801,615
Sewer System	4,620,084	3,590,475
Computer System	12,606	9,878
Equipment	172,486	170,758
Accumulated Depreciation	-3,531,040	-3,318,910
Net Property, Plant and Equipment	4,107,718	3,285,783
Total Assets	5,156,404	4,509,558
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	137,659	85,664
Other Accrued Expenses	32,206	31,286
Accrued Interest Payable	3,194	3,251
Due To Other Funds	-	266,581
Total Current Liabilities (Payable From Current Assets)	173,059	386,782
Current Liabilities (Payable From Restricted Assets):		
Customer's Deposits	87,998	83,581
Revenue Bonds Payable - RUS	14,660	13,947
Total Current Liabilities (Payable From Restricted Assets)	102,658	97,528
Long-Term Liabilities:		
Revenue Bonds Payable - RUS	762,395	777,057
Total Long-Term Liabilities	762,395	777,057
Total Liabilities	1,038,112	1,261,367

(Continued)

Town of Kentwood, Louisiana

Schedule 3

Comparative Schedule of Net Assets
Proprietary Fund Type - Utility Fund
December 31, 2005 and 2004

	Enterprise Fund	
	2005	2004
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 3,330,663	$ 2,494,779
Restricted for Debt Service	74,151	68,058
Unrestricted	713,478	685,354
Total Net Assets	$ 4,118,292	$ 3,248,191

(Concluded)

Town of Kentwood, Louisiana

Schedule 4

Comparative Schedule of Revenues, Expenses and Changes In Net Assets
Proprietary Fund Type - Utility Fund
For the Years Ended December 31, 2005 and 2004

	Enterprise Fund	
	2005	2004
Operating Revenues		
Water Sales	$ 283,978	$ 274,014
Sewer Service Charges	276,899	270,070
Gross Profit on Gas Sales	138,344	101,684
Service Connections	699	1,250
Delinquent Charges	21,673	26,484
Bad Debt Recoveries	3,185	1,713
Other Revenues	5,429	19,820
Total Operating Revenues	730,207	695,035
Operating Expenses		
Analysis Fee	4,750	4,340
Bad Debt Expense	-	8,867
Bank Charges	69	108
Cathodic Protection	10,804	10,769
Computer	584	436
Depreciation	229,412	196,883
DEQ Fees	-	1,837
Electricity	99,102	71,077
Equipment Fuel	9,004	7,168
Gas Meter Reading	5,331	4,463
Gas Operator Certification	5,605	1,286
Health Insurance	43,877	18,560
Insurance	5,647	21,355
Miscellaneous	23,636	12,467
Municipal Employees' Retirement	11,642	10,332
Odor Inspection	705	1,413
Office Expense	3,602	3,612
Payroll Taxes	10,362	9,781
Professional Services	41,195	56,605
Repairs & Maintenance	39,897	59,236
Safe Drinking Water Fee	2,696	2,696
Salaries and Wages	139,240	129,035
Uniforms	95	1,442
Water Treatment Supplies	29,072	50,804
Total Operating Expenses	716,327	684,572
Operating Income (Loss)	13,880	10,463

(Continued)

Town of Kentwood, Louisiana

Schedule 4

Comparative Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type - Utility Fund
For the Years Ended December 31, 2005 and 2004

	Enterprise Fund	
	2005	2004
Nonoperating Revenues (Expenses)		
Interest Income	$ 24,326	$ 16,503
Interest Expense	-39,175	-39,856
Total Nonoperating Revenues (Expenses)	-14,849	-23,353
Income (Loss) Before Contributions and Transfers	-969	-12,890
Contributions and Transfers		
Operating Transfers In - LCDBG	1,018,935	-
Operating Transfers Out	-147,865	-355,000
Capital Contributions	-	-
Total Contributions and Transfers	871,070	-355,000
Change in Net Assets	870,101	-367,890
Net Assets, Beginning	3,248,191	3,616,081
Net Assets, Ending	$ 4,118,292	$ 3,248,191

(Concluded)

Town of Kentwood, Louisiana

Schedule 5

Comparative Schedule of Cash Flows
Proprietary Fund Type - Utility Fund
For the Years Ended December 31, 2005 and 2004

	Enterprise Fund	
	2005	2004
Cash Flows from Operating Activities		
Received From Customers	$ 1,242,756	$ 1,029,356
Received (Paid) for Meter Deposit Fees	4,417	3,008
Other Receipts	-466	19,820
Payments for Interfund Services	-266,581	184,783
Payments for Operations	-820,919	-621,770
Payments to Employees	-205,123	-148,823
Net Cash Provided (Used) by Operating Activities	-45,916	466,374
Cash Flows from Noncapital Financing Activities		
Transfers to Other Funds	-120,865	-355,000
Net Cash Provided (Used) by Noncapital Financing Activities	-120,865	-355,000
Cash Flows from Capital and Related Financing Activities		
Paid for Capital Acquisitions	-59,412	-14,865
Principal Payments, Revenue Bonds Payable	-13,949	-13,270
Interest Payments, Revenue Bonds Payable	-39,232	-39,910
Net Cash Provided (Used) by Capital and Related Financing Activities	-112,593	-68,045
Cash Flows from Investing Activities		
Receipt of Interest	24,326	16,503
Net Cash Provided (Used) by Investing Activities	24,326	16,503
Net Increase (Decrease) in Cash	-255,048	59,832
Cash and Cash Equivalents, Beginning of Year	989,716	929,884
Cash and Cash Equivalents, End of Year	$ 734,668	$ 989,716
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and Cash Equivalents, Unrestricted	$ 609,812	$ 838,077
Cash and Cash Equivalents, Restricted	162,149	151,639
Total Cash and Cash Equivalents	$ 771,961	$ 989,716

(Continued)

Town of Kentwood, Louisiana

Schedule 5

Comparative Schedule of Cash Flows
Proprietary Fund Type - Utility Fund
For the Years Ended December 31, 2005 and 2004

	Enterprise Fund	
	2005	2004
Reconciliation of Net Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities		
Operating Income (Loss)	$ 13,880	$ 10,463
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	229,412	196,883
Change in Accounts Receivable	-36,004	-23,343
Change in Other Receivables	-465	-
Change in Inventories	-6,196	8,590
Change in Prepaid Insurance	-	1
Change in Accounts Payable	14,701	85,664
Change in Accrued Expenses	920	325
Change in Due To Other Funds	-266,581	184,783
Change in Customer Deposits	4,417	3,008
Net Cash Provided (Used) by Operating Activities	$ -45,916	$ 466,374

(Concluded)

Town of Kentwood, Louisiana

Schedule 6

Combining Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type - Utility Fund
For the Year Ended December 31, 2005

	Water Utility System	Sewer Utility System	Gas Utility System	Total
Operating Revenues				
Water Sales	$ 283,978	$ -	$ -	$ 283,978
Sewer Service Charges	-	276,899	-	276,899
Gross Profit on Gas Sales	-	-	138,344	138,344
Service Connections	643	-	56	699
Delinquent Charges	7,224	7,225	7,224	21,673
Bad Debt Recovery	-	3,185	-	3,185
Other Revenues	3,644	1,639	146	5,429
Total Operating Revenues	295,489	288,948	145,770	730,207
Operating Expenses				
Analysis Fee	-	4,750	-	4,750
Bank Charges	-	-	69	69
Cathodic Protection	-	-	10,804	10,804
Computer	198	-	386	584
Depreciation	53,579	157,978	17,855	229,412
Electricity	53,239	45,863	-	99,102
Equipment Fuel	3,381	928	4,695	9,004
Gas Meter Reading	-	-	5,331	5,331
Gas Operator Certification	-	-	5,605	5,605
Health Insurance	13,371	12,276	18,230	43,877
Insurance	2,704	1,585	1,358	5,647
Miscellaneous	9,122	2,878	11,636	23,636
Municipal Employees' Retirement	3,608	2,870	5,164	11,642
Odor Inspection	-	-	705	705
Office Expense	1,889	491	1,222	3,602
Payroll Taxes	3,686	2,437	4,239	10,362
Professional Services	13,119	14,957	13,119	41,195
Repairs & Maintenance	16,198	15,577	8,122	39,897
Safe Drinking Water Fee	2,696	-	-	2,696
Salaries and Wages	49,013	32,116	58,111	139,240
Uniforms	-	-	95	95
Water Treatment Supplies	29,072	-	-	29,072
Total Operating Expenses	254,875	294,706	166,746	716,327
Operating Income (Loss)	40,614	-5,758	-20,976	13,880

(Continued)

Town of Kentwood, Louisiana

Schedule 6

Combining Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type - Utility Funds
For the Year Ended December 31, 2005

	Water Utility System	Sewer Utility System	Gas Utility System	Total
Nonoperating Revenues (Expenses)				
Interest Income	$ 5,555	$ 6,235	$ 12,536	$ 24,326
Interest Expense	-	-39,175	-	-39,175
Total Nonoperating Revenues (Expenses)	5,555	-32,940	12,536	-14,849
Income (Loss) Before Contributions and Transfers	46,169	-38,698	-8,440	-969
Contributions and Transfers				
Operating Transfer In - LCDBG	-	1,018,935	-	1,018,935
Operating Transfers Out	-147,865	-	-	-147,865
Capital Contributions	-	-	-	-
Total Contributions and Transfers	-147,865	1,018,935	-	871,070
Change in Net Assets	$ -101,696	$ 980,237	$ -8,440	870,101
Net Assets, Beginning				3,252,318
Prior Period Adjustment (Note 19)				-4,127
Net Assets, Restated				3,248,191
Net Assets, Ending				$ 4,118,292

(Concluded)

Town of Kentwood, Louisiana

Schedule 7

Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Water Utility System
For the Year Ended December 31, 2005

	Budget	Actual	Variance: Favorable (Unfavorable)
Operating Revenues			
Water Sales	$ 278,000	$ 283,978	$ 5,978
Service Connections	500	643	143
Delinquent Charges	7,000	7,224	224
Safe Drinking Water Fee	3,600	3,644	44
Bad Debt Recovery	1,000	-	-1,000
Miscellaneous	500	-	-500
Total Operating Revenues	290,600	295,489	4,889
Operating Expenses			
Bad Debt	2,100	-	2,100
Computer	2,000	198	1,802
Depreciation	53,500	53,579	-79
DEQ Fees	2,100	-	2,100
Equipment Fuel	4,500	3,381	1,119
Health Insurance	16,300	13,371	2,929
Insurance	9,500	-	9,500
Miscellaneous	11,000	9,122	1,878
Municipal Employee's Retirement	3,500	3,608	-108
Office Expense	2,000	1,889	111
Payroll Taxes	3,600	3,592	8
Professional Services	13,000	13,119	-119
Pump Electricity	48,000	53,239	-5,239
Repairs & Maintenance - Equipment	35,000	7,385	27,615
Repairs & Maintenance - Water System	-	8,813	-8,813
Safe Drinking Water Fee	3,000	2,696	304
Salaries and Wages	47,000	49,013	-2,013
Unemployment	-	94	-94
Uniforms	1,500	-	1,500
Water Treatment Supplies	30,000	29,072	928
Workers' Compensation	-	2,704	-2,704
Total Operating Expenses	287,600	254,875	32,725
Operating Income (Loss)	3,000	40,614	37,614

(Continued)

Town of Kentwood, Louisiana

Schedule 7

Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Water Utility System
For the Year Ended December 31, 2005

	Budget	Actual	Variance: Favorable (Unfavorable)
Nonoperating Revenues (Expenses)			
Interest Income	$ 5,400	$ 5,555	$ 155
Total Nonoperating Revenues (Expenses)	5,400	5,555	155
Income (Loss) Before Contributions and Transfers	8,400	46,169	37,769
Contributions and Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	-100,000	-147,865	-47,865
Capital Contributions	-	-	-
Total Contributions and Transfers	-100,000	-147,865	-47,865
Change in Net Assets	$ -91,600	$ -101,696	$ -10,096

(Concluded)

Town of Kentwood, Louisiana

Schedule 8

Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Sewer Utility System
For the Year Ended December 31, 2005

	Budget	Actual	Variance: Favorable (Unfavorable)
Operating Revenues			
Sewer Service Charges	$ 278,000	$ 276,899	$ -1,101
Sewer Penalties	7,500	7,225	-275
Sewer Bad Debt Recovery	3,000	3,185	185
Sewer Other Revenue	-	1,639	1,639
Total Operating Revenues	288,500	288,948	448
Operating Expenses			
Analysis Fee	5,000	4,750	250
Bad Debt	2,100	-	2,100
Depreciation	127,000	157,978	-30,978
Electricity	42,000	45,863	-3,863
Equipment Fuel	1,800	928	872
Health Insurance	15,300	12,276	3,024
Insurance	2,000	-	2,000
Miscellaneous	3,500	2,878	622
Municipal Employees' Retirement	2,000	2,870	-870
Office Expense	1,500	491	1,009
Payroll Taxes	2,600	2,374	226
Professional Services	20,000	14,957	5,043
Repairs & Maintenance - Equipment	21,000	4,049	16,951
Repairs & Maintenance - Sewer System	-	11,528	-11,528
Salaries and Wages	32,500	32,116	384
Unemployment	-	63	-63
Uniforms	800	-	800
Workers' Compensation	-	1,585	-1,585
Total Operating Expenses	279,100	294,706	-15,606
Operating Income (Loss)	9,400	-5,758	-15,158

(Continued)

Town of Kentwood, Louisiana

Schedule 8

Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Sewer Utility System
For the Year Ended December 31, 2005

	Budget	Actual	Variance: Favorable (Unfavorable)
Nonoperating Revenues (Expenses)			
Interest Expense	$ -37,000	$ -39,175	$ -2,175
Interest Income	5,200	6,235	1,035
Total Nonoperating Revenues (Expenses)	-31,800	-32,940	-1,140
Income (Loss) Before Contributions and Transfers	-22,400	-38,698	-16,298
Contributions and Transfers			
Operating Transfer In - LCDBG	-	1,018,935	1,018,935
Capital Contributions	-	-	-
Total Contributions and Transfers	-	1,018,935	1,018,935
Change in Net Assets	$ -22,400	$ 980,237	$ 1,002,637

(Concluded)

Town of Kentwood, Louisiana

Schedule 9

Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Gas Utility System
For the Year Ended December 31, 2005

	Budget	Actual	Variance: Favorable (Unfavorable)
Operating Revenues			
Gas Sales	$ 683,000	$ 686,897	$ 3,897
Cost of Gas Sales	-490,000	-548,553	-58,553
Gross Profit on Gas Sales	193,000	138,344	-54,656
Service Connections	1,000	56	-944
Penalties	9,000	7,224	-1,776
Bad Debt Recoveries	3,000	-	-3,000
Other Revenues	350	146	-204
Total Operating Revenues	206,350	145,770	-60,580
Operating Expenses			
Bank Charge	-	69	-69
Bad Debt Expense	2,100	-	2,100
Cathodic Protection	12,000	10,804	1,196
Computer	1,500	386	1,114
Depreciation	15,000	17,855	-2,855
DOT Drug Testing	-	730	-730
Equipment Fuel	6,500	4,695	1,805
Gas Leak Survey	2,500	-	2,500
Gas Meter Reading	5,500	5,331	169
Gas Operator Certification	8,000	5,605	2,395
Health Insurance	18,500	18,230	270
Insurance	12,000	-	12,000
Miscellaneous	14,100	10,906	3,194
Municipal Employees' Retirement	5,300	5,164	136
Odor Inspection	800	705	95
Office Expense	1,500	1,222	278
Payroll Taxes	4,625	4,125	500
Professional Services	15,000	13,119	1,881
Repairs & Maintenance - Equipment	13,500	3,960	9,540
Repairs & Maintenance - Gas System	-	4,162	-4,162
Salaries and Wages	59,000	58,111	889
Unemployment	-	114	-114
Uniforms	1,500	95	1,405
Workers' Comp. Insurance	-	1,358	-1,358
Total Operating Expenses	198,925	166,746	32,179
Operating Income (Loss)	7,425	-20,976	-28,401

(Continued)

Town of Kentwood, Louisiana

Schedule 9

Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Proprietary Fund Type - Gas Utility System
For the Year Ended December 31, 2005

	Budget	Actual	Variance: Favorable (Unfavorable)
Nonoperating Revenues (Expenses)			
Interest Income	$ 12,000	$ 12,536	$ 536
Total Nonoperating Revenues (Expenses)	12,000	12,536	536
Income (Loss) Before Contributions and Transfers	19,425	-8,440	-27,865
Contributions and Transfers			
Operating Transfers Out	-285,000	-	285,000
Capital Contributions	-	-	-
Total Contributions and Transfers	-285,000	-	285,000
Change in Net Assets	$ -265,575	$ -8,440	$ 257,135

(Concluded)

Town of Kentwood, Louisiana

Schedule 10

Sewer Rate Schedule
Proprietary Fund Type - Sewer Utility System
December 31, 2005

Residential	$	20.00	Flat Monthly Rate
Commercial Rate 1	$	40.00	Flat Monthly Rate
Commercial Rate 2 (Schools)	$	250.00	Flat Monthly Rate
Commercial Rate 3 (Nursing Home)	$	625.00	Flat Monthly Rate
Commercial Rate 4 (Metered)	$	0.95	Per 1,000 Gallons of Water

Town of Kentwood

Schedule 11

Schedule of Sewer Customers
Proprietary Fund Type - Sewer Utility System
December 31, 2005

Residential	741
Commercial	113
Total	854

Town of Kentwood, Louisiana

Schedule 12

Comparative Schedule of Gas Sales and Purchases
Proprietary Fund Type - Gas Utility System
For the Years Ended December 31, 2005 and 2004

	Enterprise Fund			
		2005		2004
Gas Sales and Purchases				
Gas Sales				
Volume (Thousand Cubic Feet)		49,467		48,757
Dollar Amount	$	686,897	$	488,035
Gas Purchases				
Volume (Thousand Cubic Feet)		55,606		54,683
Dollar Amount	$	548,553	$	386,351
Gross Profit	$	138,344	$	101,684
Percent of Sales		20.14%		20.84%
Unaccounted for Gas Purchases				
Volume (Thousand Cubic Feet)		6,139		5,926
Average Cost of Unaccounted for Gas	$	60,561	$	41,869
Percent of Purchases		11.04%		10.84%
Number of Customers at Year End				
In Service, Industrial		1		1
In Service, Other		524		507
Total		525		508
Average Sales Per Customer				
Volume (Thousand Cubic Feet)		94		96
Dollar Amount	$	1,308	$	961
Amounts Per Thousand Cubic Feet				
Gas Sales, Industrial	$	9.76	$	8.93
Gas Sales, Other	$	1,308.00	$	10.11
Gas Sales	$	13.89	$	10.01
Gas Purchases		-9.86		-7.07
Subtotal		4.03		2.94
Unaccounted for Gas Purchases		-1.09		0.77
Gross Profit	$	2.94	$	2.17

Town of Kentwood, Louisiana

Schedule 13

Schedule of Insurance
For the Year Ended December 31, 2005

Insurance Company	Coverage		Amount	Period
Municipal Risk Management	Commercial Property	$	1,609,390	02/01/05 -
Policy Number LML 355	General Liability		500,000	02/01/06
	Commercial Automobile		500,000	
	Police Professional Liability		500,000	
	Errors and Omissions Liability		500,000	
Risk Management, Inc.	Worker's Compensation Coverage	$	Statutory	11/19/05 -
Policy 0298-00			Limits	11/19/06
Western Surety Company	Fidelity Bond:			01/28/05 -
Policy Number 69465173	Mayor	$	150,000	01/28/06
Western Surety Company	Fidelity Bond:			01/28/05 -
Policy Number 69465168	Clerk	$	150,000	01/28/06
Western Surety Company	Fidelity Bond:			08/29/05 -
Policy Number 69210053	Fiscal Officer	$	150,000	08/29/06
Western Surety Company	Fidelity Bond:			06/20/05 -
Policy Number 18272062	Position Schedule	$	310,000	06/20/06

Town of Kentwood, Louisiana

Schedule 14

Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2005

		Compensation Received
Harold J. Smith, Mayor P.O. Box 313 Kentwood, LA 70444 (985) 229-6265	$	24,000
Myrtle Cook, Council Member 1335 3rd Street Kentwood, LA 70444 (985) 229-8145		3,000
Mike Hall, Council Member P.O. Box 643 Kentwood, LA 70444 (985) 229-2470		3,000
Dr. Carlton S. Faller, Council Member P.O. Box H Kentwood, LA 70444 (985) 229-3681		3,000
Jim Bo Slaven, Council Member 707 11th Street Kentwood, LA 70444 (985) 229-5206		3,000
Irma T. Gordon, Council Member 1806 14th Street Kentwood, LA 70444 (985) 229-4959		3,000
	$	39,000

Town of Kentwood, Louisiana

Schedule 14

Corrective Action Plan for Current Year Audit Findings
Year Ended December 31, 2005

Section I - Internal Control and Compliance Material to the Financial Statements

No Section I findings.

Section II - Internal Control and Compliance Material to Federal Awards

No Section II findings.

Section III - Management Letter

No Section III findings.

Town of Kentwood, Louisiana

Schedule 16

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2005

Section I - Internal Control and Compliance Material to the Financial Statements

No Section I findings.

Section II - Internal Control and Compliance Material to Federal Awards

Reference Number: 2000-F1

Fiscal Year Finding Initially Occurred: December 31, 2000

Description of Findings:

Subsequent to the fiscal year ending December 31, 2000, the Town of Kentwood determined there was a question regarding the ownership of a housing unit receiving Section 8 Rental assistance. Since documentation, received by the Town of Kentwood, indicated that the actual owner of the unit was the tenant, a letter was forwarded to the tenant, by the Section 8 Administrator, demanding repayment of the funds paid for the Section 8 contract. The letter specified a deadline for contacting the Section 8 office. The PHA has notified HUD of this discrepancy. A total of $9,900 was paid in rental assistance for the period in question.

The auditor recommended that the matter be followed up in accordance with recommendations of the HUD area office. The Town complied with this recommendation for the fiscal year ending December 31, 2000, by forwarding a copy of the findings to the District Attorney's Office. Since no action had been taken on this case, the auditor also recommended, for the fiscal year ending December 31, 2001, that a copy of the entire file for this case be transferred to the District Attorney's Office, along with a cover letter clarifying whether further action is required by the Town. The auditor noted for the fiscal year ended December 31, 2002, that documentation on this case had been forwarded to the District Attorney's Office, but the Town of Kentwood is awaiting response. It was recommended that an additional letter be forwarded to the District Attorney, requesting status on the case.

It was noted for the fiscal year ended December 31, 2003, that a letter, requesting status on this case had been forwarded to the District Attorney's Office and that the Town of Kentwood is awaiting response.

Corrective Action Taken: Completed

Description of Corrective Action Taken:

The tenant plead guilty to theft by fraud and was given 3 years probation and required to pay $687.50 in restitution to the Town of Kentwood.

Section III - Management Letter

No Section III findings.

LEROY J. CHUSTZ, CPA, APAC

[redacted]

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

The Honorable Mayor Harold J. Smith
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

I have audited the basic financial statements of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2005 and have issued my report thereon dated August 9, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Kentwood, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Kentwood, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the management of the Town of Kentwood, Louisiana, the Legislative Auditor, and the cognizant Federal Agency. However, this report is a matter of public record and its distribution is not limited.

Leroy J. Chustz
Certified Public Accountant, APAC
August 9, 2006