

CITY OF KAPLAN, LOUISIANA

Financial Report

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mike Kloesel, Mayor,
and Members of the City Council
City of Kaplan, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2020 on our consideration of the City of Kaplan, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kaplan, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kaplan, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
October 15, 2020

BASIC FINANCIAL STATEMENTS

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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and interest-bearing deposits	\$ 1,919,442	\$ 3,589,967	\$ 5,509,409
Receivables, net	22,621	967,246	989,867
Due from other governmental units	200,187	-	200,187
Restricted assets:			
Cash and interest-bearing deposits	-	725,231	725,231
Capital assets:			
Non-depreciable	114,547	179,309	293,856
Depreciable, net	<u>8,478,473</u>	<u>9,427,163</u>	<u>17,905,636</u>
Total assets	<u>10,735,270</u>	<u>14,888,916</u>	<u>25,624,186</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	<u>433,619</u>	<u>145,068</u>	<u>578,687</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Net Position (Continued)
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts and other payables	109,594	221,056	330,650
Compensated absences payable	6,747	-	6,747
Internal balances	(33,814)	33,814	-
Customer deposits payable	-	411,215	411,215
Accrued interest	6,276	5,353	11,629
Long-term liabilities:			
Due within one year	78,732	135,000	213,732
Due in more than one year	1,443,271	746,000	2,189,271
Net pension liability	1,174,842	510,675	1,685,517
Total liabilities	<u>2,785,648</u>	<u>2,063,113</u>	<u>4,848,761</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>125,370</u>	<u>35,050</u>	<u>160,420</u>
NET POSITION			
Net investment in capital assets	7,701,017	8,725,472	16,426,489
Restricted for:			
Debt service	665,730	308,663	974,393
Sales tax dedications	800,658	-	800,658
Unrestricted	(909,534)	3,901,686	2,992,152
Total net position	<u>\$ 8,257,871</u>	<u>\$ 12,935,821</u>	<u>\$ 21,193,692</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2020

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,135,936	\$ 201,829	\$ 14,993	\$ 34,379	\$ (884,735)	\$ -	\$ (884,735)
Public safety:							
Police	1,016,238	49,302	73,250	-	(893,686)	-	(893,686)
Fire	438,711	-	74,748	-	(363,963)	-	(363,963)
Streets	520,051	-	-	-	(520,051)	-	(520,051)
Culture and recreation	93,941	-	-	-	(93,941)	-	(93,941)
Interest on long-term debt	40,709	-	-	-	(40,709)	-	(40,709)
Total governmental activities	<u>3,245,586</u>	<u>251,131</u>	<u>162,991</u>	<u>34,379</u>	<u>(2,797,085)</u>	<u>-</u>	<u>(2,797,085)</u>
Business-type activities:							
Electric	3,146,884	4,793,839	-	16,071	-	1,663,026	1,663,026
Gas	497,769	633,521	-	-	-	135,752	135,752
Water	590,629	706,685	-	-	-	116,056	116,056
Sewerage	710,797	646,696	-	-	-	(64,101)	(64,101)
Interest on long-term debt	35,385	-	-	-	-	(35,385)	(35,385)
Total business-type activities	<u>4,981,464</u>	<u>6,780,741</u>	<u>-</u>	<u>16,071</u>	<u>-</u>	<u>1,815,348</u>	<u>1,815,348</u>
Total	<u>\$ 8,227,050</u>	<u>\$ 7,031,872</u>	<u>\$ 162,991</u>	<u>\$ 50,450</u>	<u>(2,797,085)</u>	<u>1,815,348</u>	<u>(981,737)</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Activities (Continued)
For the Year Ended June 30, 2020

General revenues:			
Taxes -			
Property taxes, levied for general purposes	82,895	-	82,895
Property taxes, levied for bond retirement	165,744	-	165,744
Sales and use taxes, levied for general purposes	704,316	-	704,316
Franchise taxes	28,809	-	28,809
Beer taxes	9,376	-	9,376
Interest and investment earnings	12,481	23,107	35,588
Miscellaneous	85,826	33,254	119,080
Nonemployer pension contribution	39,842	15,391	55,233
Gain (loss) on disposal of capital assets	40	(1,976)	(1,936)
Transfers	<u>1,666,142</u>	<u>(1,666,142)</u>	<u>-</u>
Total general revenues and transfers	<u>2,795,471</u>	<u>(1,596,366)</u>	<u>1,199,105</u>
Change in net position	(1,614)	218,982	217,368
Net position, beginning	<u>8,259,485</u>	<u>12,716,839</u>	<u>20,976,324</u>
Net position, ending	<u>\$ 8,257,871</u>	<u>\$ 12,935,821</u>	<u>\$ 21,193,692</u>

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

FUND FINANCIAL STATEMENTS (FFS)

CITY OF KAPLAN, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$ 453,703	\$ 675,245	\$ 790,494	\$ 1,919,442
Receivables:				
Due from other funds	67,314	100	6,510	73,924
Due from other governmental entities	6,750	155,044	38,393	200,187
Accrued interest receivable	-	263	97	360
Other receivables	22,261	-	-	22,261
Total assets	<u>\$ 550,028</u>	<u>\$ 830,652</u>	<u>\$ 835,494</u>	<u>\$ 2,216,174</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 38,477	\$ 1,728	\$ 1,217	\$ 41,422
Payroll liabilities	68,172	-	-	68,172
Compensated absences payable	6,747	-	-	6,747
Due to other funds	11,244	28,266	600	40,110
Total liabilities	<u>124,640</u>	<u>29,994</u>	<u>1,817</u>	<u>156,451</u>
Fund balances:				
Restricted	-	800,658	672,006	1,472,664
Assigned	-	-	161,671	161,671
Unassigned	425,388	-	-	425,388
Total fund balances	<u>425,388</u>	<u>800,658</u>	<u>833,677</u>	<u>2,059,723</u>
Total liabilities and fund balances	<u>\$ 550,028</u>	<u>\$ 830,652</u>	<u>\$ 835,494</u>	<u>\$ 2,216,174</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balances for governmental funds		\$ 2,059,723
Capital assets net		8,593,020
Long-term liabilities:		
Bonds payable	(1,522,003)	
Net pension liability	(1,174,842)	
Accrued interest payable	<u>(6,276)</u>	(2,703,121)
Deferred outflows of resources related to net pension liability		433,619
Deferred inflows of resources related to net pension liability		<u>(125,370)</u>
Total net position of governmental activities		<u>\$ 8,257,871</u>

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

CITY OF KAPLAN, LOUISIANA

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

For the Year Ended June 30, 2020

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 82,895	\$ 704,316	\$ 165,744	\$ 952,955
Licenses and permits	201,829	-	-	201,829
Intergovernmental	97,619	29,379	79,748	206,746
Fines and forfeits	42,285	-	7,017	49,302
Interest income	3,866	4,527	4,087	12,480
Miscellaneous	72,484	-	42,192	114,676
Total revenues	<u>500,978</u>	<u>738,222</u>	<u>298,788</u>	<u>1,537,988</u>
Expenditures:				
Current -				
General government	854,246	180,790	-	1,035,036
Public safety:				
Police	952,318	-	13,250	965,568
Fire	294,026	-	61,246	355,272
Streets, bridges, and drainage	397,259	-	-	397,259
Culture and recreation	40,150	-	-	40,150
Capital outlay	119,480	59,511	40,306	219,297
Debt service -				
Principal retirement	-	15,860	112,000	127,860
Interest and fiscal charges	-	2,761	39,059	41,820
Total expenditures	<u>2,657,479</u>	<u>258,922</u>	<u>265,861</u>	<u>3,182,262</u>
(Deficiency) excess of revenues over expenditures	<u>(2,156,501)</u>	<u>479,300</u>	<u>32,927</u>	<u>(1,644,274)</u>
Other financing sources (uses):				
Proceeds from capital lease	-	30,269	-	30,269
Transfers in	2,091,118	9,024	100,000	2,200,142
Transfers out	<u>(109,024)</u>	<u>(291,570)</u>	<u>(133,406)</u>	<u>(534,000)</u>
Total other financing sources (uses)	<u>1,982,094</u>	<u>(252,277)</u>	<u>(33,406)</u>	<u>1,696,411</u>
Net change in fund balances	(174,407)	227,023	(479)	52,137
Fund balances, beginning	<u>599,795</u>	<u>573,635</u>	<u>834,156</u>	<u>2,007,586</u>
Fund balances, ending	<u>\$ 425,388</u>	<u>\$ 800,658</u>	<u>\$ 833,677</u>	<u>\$ 2,059,723</u>

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

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CITY OF KAPLAN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances of governmental funds		\$	52,137
Capital assets:			
Capital outlay	\$	219,297	
Depreciation expense		<u>(311,183)</u>	(91,886)
Transactions involving capital assets:			
Gain on disposal			40
Proceeds from capital lease			(30,269)
Principal payments on long term debt			127,860
Change in accrued interest payable			(1,070)
The effect of the change in net pension liability and deferred outflows/inflows of resources:			
Increase in pension expense		(98,268)	
Nonemployer pension contribution revenue recognized		<u>39,842</u>	<u>(58,426)</u>
Change in net position of governmental activities			<u>\$ (1,614)</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position
Proprietary Fund - Enterprise Fund
June 30, 2020

ASSETS

Current assets:	
Cash and interest-bearing deposits	\$ 3,589,967
Receivables:	
Accounts, net	572,486
Unbilled utility receivables	385,745
Accrued interest receivable	2,903
Due from other funds	8,180
Other	6,112
Total current assets	<u>4,565,393</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	725,231
Capital assets, net of accumulated depreciation	<u>9,606,472</u>
Total noncurrent assets	<u>10,331,703</u>
 Total assets	 <u>14,897,096</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions	<u>145,068</u>
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(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Net Position (Continued)

Proprietary Fund - Enterprise Fund

June 30, 2020

LIABILITIES

Current liabilities:

Accounts payable	195,102
Payroll liabilities	25,954
Due to other funds	41,994
Payable from restricted assets - Revenue bonds	135,000
Accrued interest payable	5,353
Total current liabilities	<u>403,403</u>

Noncurrent liabilities:

Customers' deposits payable	411,215
Revenue bonds	746,000
Net pension liability	510,675
Total noncurrent liabilities	<u>1,667,890</u>
Total liabilities	<u>2,071,293</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	<u>35,050</u>
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NET POSITION

Net investment in capital assets	8,725,472
Restricted for debt service	308,663
Unrestricted	3,901,686
Total net position	<u>\$ 12,935,821</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Fund - Enterprise Fund
 Year Ended June 30, 2020

Operating revenues:	
Charges for services	<u>\$ 6,780,741</u>
Operating expenses:	
Electricity department expenses	3,085,454
Gas department expenses	433,830
Water department expenses	457,738
Sewerage department expenses	388,114
Depreciation expense	<u>580,943</u>
Total operating expenses	<u>4,946,079</u>
Operating income	<u>1,834,662</u>
Nonoperating revenues (expenses):	
Interest income	23,107
Franchise fee	33,254
Interest expense	(35,385)
Nonemployer pension contribution	15,391
Loss on disposal of assets	<u>(1,976)</u>
Total nonoperating revenues (expenses)	<u>34,391</u>
Income before capital contributions and transfers	1,869,053
Capital contributions	16,071
Transfers in	286,758
Transfers out	<u>(1,952,900)</u>
Change in net position	218,982
Net position, beginning	<u>12,716,839</u>
Net position, ending	<u>\$ 12,935,821</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows
 Proprietary Fund - Enterprise Fund
 For the Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 6,881,728
Payments to suppliers	(3,758,729)
Payments to employees	(691,921)
Net cash provided by operating activities	<u>2,431,078</u>
Cash flows from noncapital financing activities:	
Franchise fees	33,254
Cash paid to other funds	(1,682)
Meter deposits, net of refunds	17,130
Transfers from other funds	286,758
Transfers to other funds	(1,952,900)
Net cash used by noncapital financing activities	<u>(1,617,440)</u>
Cash flows from capital and related financing activities:	
Capital contribution	16,071
Principal paid on bonds and notes	(130,000)
Interest and fiscal charges paid on bonds	(35,385)
Acquisition of capital assets	(31,416)
Net cash used by capital and related financing activities	<u>(180,730)</u>
Cash flows from investing activities:	
Proceeds of interest-bearing deposits with maturity in excess of ninety days	2,164,148
Purchase of interest-bearing deposits with maturity in excess of ninety days	(1,662,218)
Interest on investments	23,107
Net cash provided by investing activities	<u>525,037</u>
Net change in cash and cash equivalents	1,157,945
Cash and cash equivalents, beginning of period	<u>1,495,035</u>
Cash and cash equivalents, end of period	<u>\$ 2,652,980</u>
	(continued)

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

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Fund - Enterprise Fund
 For the Year Ended June 30, 2020

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,834,662
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for net pension liability	25,721
Depreciation	580,943
(Increase) decrease in current assets	
Accounts receivable, net	19,666
Unbilled utility receivables	83,726
Other receivables	(2,405)
Increase (decrease) in current liabilities	
Accounts payable	(121,352)
Salaries payable	<u>10,117</u>
Net cash provided by operating activities	<u>\$ 2,431,078</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:	
Cash and cash equivalents, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 2,960,502
Cash and interest-bearing deposits - restricted	698,681
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,164,148)</u>
Total cash and cash equivalents	<u>1,495,035</u>
Cash and cash equivalents, end of period -	
Cash and interest-bearing deposits - unrestricted	3,589,967
Cash and interest-bearing deposits - restricted	725,231
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(1,662,218)</u>
Total cash and cash equivalents	<u>2,652,980</u>
Net change	<u>\$ 1,157,945</u>

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

Fund Financial Statements

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

The major funds of the City are described below:

Governmental Funds –

General Fund

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

Sales Tax Fund

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

Proprietary Fund –

Utility Fund

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

Basis of Accounting

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

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

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

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

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Notes to Basic Financial Statements

Program revenues

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

Allocation of indirect expenses

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

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

Cash and interest-bearing deposits

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

Interfund receivables and payables

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Receivables

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

Capital Assets

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

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Compensated Absences

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

Employees of the City earn sick leave at the rate of one day per month, up to a maximum of 120 days. No sick leave is paid upon resignation. Employees separated due to retirement are paid for accumulated sick leave at the hourly rates being earned by that employee at separation. Employees of the City earn vacation when they are hired and it is based upon the number of years of full-time service and varies from 5 to 15 days per year. Vacation leave cannot be carried over to the following year.

Employees of the City earn paid time off, instead of overtime pay at a rate of time and a half which is based on the employee's hourly rate, up to a maximum of 240 hours. Amounts are payable on demand and therefore are recorded as a liability when earned. The amount is attributable to the governmental activities.

Restricted Assets

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

Long-term debt

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses/expenditure) until then.

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

Equity Classification

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be spent only for specific purposes determined by a formal action of the council members. The council is the highest level of decision-making authority for the City. Commitments may be established,

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Notes to Basic Financial Statements

modified, or rescinded only through ordinances or resolutions approved by council members.

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

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

Fund balances are composed of the following:

	General Fund	Sales Tax Fund	Other Governmental Funds
Restricted:			
Tax dedications	\$ -	\$ 800,658	\$ -
Debt service	-	-	672,006
Assigned - public safety	-	-	161,671
Unassigned	<u>425,388</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>\$ 425,388</u>	 <u>\$ 800,658</u>	 <u>\$ 833,677</u>

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

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

Interfund Transfers

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

F. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Ad valorem tax	2.20 mills for bonded indebtedness
Sales tax	See Note 2
Electricity, gas, water and sewer revenue	see Note 8

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

G. Use of Estimates

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

H. Pensions

The net pension liability, deferred outflows of resources, and deferred inflows of resources to pensions, and pension expense has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Non-employer contributions are recognized as revenues in the government-wide and propriety fund financial statements. In the governmental fund financial statements contributions are recognized as expenditures when due.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

Proceeds of the one percent sales and use tax levied by the City are dedicated to the following purposes:

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

(3) Cash and Interest-Bearing Deposits

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

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

Bank balances	<u>\$ 6,391,677</u>
Deposits are secured as follows:	
Federal deposit insurance	1,325,840
Uninsured and collateral held by the pledging bank, not in the City's name	<u>5,065,837</u>
Total	<u>\$ 6,391,677</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(4) Receivables

The aging of the accounts receivable in the enterprise fund is as follows:

Current	\$ 577,972
31 - 60 days	7,437
60 - 90 days	933
Over 90 days	212,428
Less allowances for uncollectible accounts	<u>(226,284)</u>
Total	<u>\$ 572,486</u>

(5) Restricted Assets – Enterprise Fund

Restricted assets were applicable to the following:

Customers' deposits	\$ 411,215
Bond sinking fund account	39,189
Bond reserve fund	172,688
Bond renewal and replacement fund	<u>102,139</u>
Total restricted assets	<u>\$ 725,231</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(6) Capital Assets

Capital asset activity was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,547	\$ -	\$ -	\$ 114,547
Other capital assets:				
Buildings	2,950,607	-	-	2,950,607
Infrastructure	12,242,753	119,480	-	12,362,233
Equipment, furniture and fixtures	2,381,423	99,816	3,500	2,477,739
Totals	<u>17,689,330</u>	<u>219,296</u>	<u>3,500</u>	<u>17,905,126</u>
Less accumulated depreciation				
Buildings	1,172,186	72,326	-	1,244,512
Infrastructure	5,854,768	102,945	-	5,957,713
Equipment, furniture and fixtures	1,977,469	135,912	3,500	2,109,881
Total accumulated depreciation	<u>9,004,423</u>	<u>311,183</u>	<u>3,500</u>	<u>9,312,106</u>
Governmental activities, capital assets, net	<u>\$ 8,684,907</u>	<u>\$ (91,887)</u>	<u>\$ -</u>	<u>\$ 8,593,020</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 179,309	\$ -	\$ -	\$ 179,309
Other capital assets:				
Buildings and systems	23,353,837	-	-	23,353,837
Machinery and equipment	782,520	-	6,033	776,487
Automobiles	351,863	31,416	27,117	356,162
Total other capital assets	<u>24,667,529</u>	<u>31,416</u>	<u>33,150</u>	<u>24,665,795</u>
Less accumulated depreciation				
Buildings and systems	13,683,452	480,929	-	14,164,381
Machinery and equipment	570,526	51,006	6,032	615,500
Automobiles	255,576	49,008	25,142	279,442
Total accumulated depreciation	<u>14,509,554</u>	<u>580,943</u>	<u>31,174</u>	<u>15,059,323</u>
Business-type activities, capital assets, net	<u>\$ 10,157,975</u>	<u>\$ (549,527)</u>	<u>\$ 1,976</u>	<u>\$ 9,606,472</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 71,099
Police	35,932
Fire	62,858
Streets	87,503
Recreation	<u>53,791</u>
Total depreciation expense	<u>\$311,183</u>

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

Electric	\$ 61,430
Gas	63,939
Water	132,891
Sewer	<u>322,683</u>
Total depreciation expense	<u>\$580,943</u>

(7) Changes in Long-Term Debt

The following is a summary of long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable -					
General Obligation					
Bonds, Series 2005	\$ 53,000	\$ -	\$ (53,000)	\$ -	\$ -
General Obligation					
Bonds, Series 2015	783,000	-	(59,000)	724,000	61,000
General Obligation					
Bonds, Series 2019	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>750,000</u>	<u>-</u>
Total governmental activities	<u>\$ 1,586,000</u>	<u>\$ -</u>	<u>\$ (112,000)</u>	<u>\$ 1,474,000</u>	<u>\$ 61,000</u>
Business-type activities:					
Utilities Revenue					
Refunding Bonds,					
Series 2011	<u>\$ 1,011,000</u>	<u>\$ -</u>	<u>\$ (130,000)</u>	<u>\$ 881,000</u>	<u>\$ 135,000</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Bonds payable are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$1,000,000 General Obligation Bonds, Series 2015, due in annual installments of \$51,000 to \$84,000 through March 1, 2030; at interest rates of 2.00% to 2.75% (to be retired from the proceeds of ad valorem taxes)	\$ 724,000
\$750,000 General Obligation Bonds, Series 2019, due in annual installments of \$25,000 to \$135,000 through March 1, 2034; at interest rates of 3.5% (to be retired from the proceeds of ad valorem taxes)	<u>750,000</u>
Total general obligation bonds	<u>\$ 1,474,000</u>

Revenue Bonds:

\$1,849,000 Utilities Revenue Refunding Bonds, Series 2011, due in annual installments of \$42,000 to \$160,000 through June 1, 2026; interest rate of 3.5% (to be retired from operation of combined waterworks system, electric distribution system, sewerage system and natural gas transmission and distribution system)	<u>\$ 881,000</u>
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The bonds are due as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2021	\$ 61,000	\$ 42,064	\$ 135,000	\$ 30,836	\$ 268,900
2022	88,000	40,538	139,000	26,110	293,648
2023	91,000	38,492	144,000	21,246	294,738
2024	94,000	36,368	149,000	16,206	295,574
2024	96,000	34,170	154,000	10,990	295,160
2026 - 2030	544,000	133,050	160,000	5,600	842,650
2031 - 2034	<u>500,000</u>	<u>44,626</u>	-	-	<u>544,626</u>
	<u>\$ 1,474,000</u>	<u>\$ 369,308</u>	<u>\$ 881,000</u>	<u>\$ 110,988</u>	<u>\$ 2,835,296</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions for the year ended June 30, 2020.

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

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

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

All required transfers were made for the year.

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(9) Capital Lease

In July 2018, the City entered into a lease agreement for acquisition of two (2) vehicles and in September 2019, the City entered into a lease agreement for acquisition of another vehicle. The lease agreements qualify as capital leases for accounting purposes, and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2020 were as follows:

<u>Year Ending June 30,</u>	
2021	\$ 20,055
2022	20,055
2023	10,515
2024	<u>1,435</u>
Total minimum lease payments	52,060
Less: amount representing interest	<u>(4,057)</u>
Present value of minimum lease payments	<u>\$ 48,003</u>

At June 30, 2020, the vehicles are included in capital assets with a cost of \$71,897 and accumulated depreciation of \$21,003. Depreciation expense of \$13,371 was recorded for these assets at June 30, 2020.

(10) Employee Retirement

The City is a participating employer in several cost-sharing defined benefit pension plans. These plans are administered by four public employee retirement systems: the Municipal Employees' Retirement System of Louisiana (MERS), the Municipal Police Employees' Retirement System of Louisiana (MPERS), the Firefighters' Retirement System of Louisiana (FRS), and the Louisiana State Employees' Retirement System (LASERS).

Each of the retirement systems issue an annually publicly available stand-alone report on their financial statements and required supplementary information. These reports may be obtained on each retirement system's website or on the Louisiana Legislative Auditor's website as follows:

Municipal Employees' Retirement System – www.mersla.com
Municipal Police Employees' Retirement System – www.mpersla.com
Firefighters' Retirement System – www.ffmpeg.com
Louisiana State Employees' Retirement System – www.lasersonline.org
Louisiana Legislative Auditor – www.lla.la.gov

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Plan description:

Municipal Employees' Retirement System of Louisiana (MERS)

Municipal Employees' Retirement System of Louisiana (MERS) was originally established by Act 356 of 1954 regular session of the Legislature of the State of Louisiana. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan B.

The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the System.

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

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

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

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.

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

1. Age 67 with seven (7) or more years of creditable service.
2. Age 62 with ten (10) or more years of creditable service.
3. Age 55 with thirty (30) or more years of creditable service.
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused annual sick leave, with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

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

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

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

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

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

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

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of (1) an amount equal to two percent of his final average compensation multiplied by his years of creditable service, but not less than thirty percent of his final compensation, or (2) an amount equal to what the member's normal retirement benefit would be based on the member's current final compensation, but assuming the member remained in continuous service

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until his earliest normal retirement age and using those retirement benefit computation factors which would be applicable to the member's normal retirement.

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

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

Municipal Police Employees' Retirement System of Louisiana (MPERS)

Eligibility Requirements: Membership in the MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

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

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

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

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

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non

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Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

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

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If the deceased member had less than ten years of service, the beneficiary will receive a refund of employee contributions only.

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

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

A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

Deferred Retirement Option Plan: A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts

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shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

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

Firefighters' Retirement System of Louisiana (FRS)

Membership in the System is a condition of employment for any full-time firefighters who earn more than \$375 per month, excluding state supplemental pay, and are employed by a fire department of any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

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

Eligibility Requirements: Any person who becomes an employee as defined in R.S. 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Membership in the System is a condition of employment for any full-time firefighters, eligible employees of the retirement system, or any person in a position as defined in the municipal fire and police civil service system that earns at least \$375 per month, excluding state supplemental pay, and are employed by a fire department of any municipality, parish, or fire district of the State of Louisiana, except for Orleans Parish and the City of Baton Rouge.

No person who has attained age 50 or over shall become a member of the System unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of 50. No person who has not attained the age of 18 years shall become a member of the System.

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits there from may become a member of

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System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Retirement Benefits: Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions.

Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement.

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

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

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

Upon commencement of participation in DROP, employer and employee contributions to the System cease. The monthly retirement benefits that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit.

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

Initial Benefit Option Plan: Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial

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benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

Cost of Living Adjustments (COLAs): Under the provisions of R.S. 11:246 and 11:2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a 2% increase in their original benefit. In order for the board to grant either of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings (R.S. 11:243). In lieu of these COLAs, pursuant to 11:241, the board may also grant an increase based on a formula equal to up to \$1 times the total number of years of credited service accrued at retirement or at death of the member or retiree plus the number of years since retirement or since death of the member or retiree to June 30th preceding the payment of benefit increase.

Louisiana State Employees' Retirement System (LASERS)

The System was established for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:401, as amended, for eligible state officers, employees and their beneficiaries. The projection of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

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

Retirement Benefits: The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. LASERS' rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of creditable service, and at age 60 upon completing ten years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015, may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an

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alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Deferred Retirement Benefits: The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their

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DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding the given date. The average rate so determined is to be reduced by a "contingency" adjustment of 0.5%, but not to be below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

Disability Benefits: Generally, active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching retirement age, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation or 100% of final average compensation if the injury was the result of an intentional act of violence.

Members of the Harbor Police Retirement System who became disables may receive a non-line of duty disability benefit after five years or more of credited service. Members age 55 or older may receive a disability benefit equivalent to the regular retirement benefit. Under age 55, the disability benefit is equal to 40% of final average compensation. Line of duty disability benefits are equal to 60% of final average compensation, regardless of years of credited service of 100% of final average compensation if the injury was the result of an intentional act of violence. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

Survivor's Benefits: Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a fulltime student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

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The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60% of final average compensation to surviving spouse, regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

Cost of Living Adjustments: As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Funding Policy:

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year for MERS, MPERS, and FRS. The contribution rates in effect for the year ended June 30, 2020, for the City were as follows:

Municipal Employees' Retirement System of Louisiana (Plan B)	14.00%
Municipal Police Employees' Retirement System of Louisiana	
Hired prior to 1/1/2013	10.00%
Hazardous Duty Members hired after 1/1/2013	10.00%
Non Hazardous Duty Members hired after 1/1/2014	8.00%
Earnable compensation is below poverty limit	7.50%
Firefighters Retirement System of Louisiana	
Earnable compensation is above poverty limit	26.50%
Earnable compensation is below poverty limit	28.50%
Louisiana State Employees' Retirement System	
Judges hired before 1/01/11	42.40%
Judges hired after 12/31/10	42.00%
Judges hired on or after 7/01/15	42.00%

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities. None-employer contributions are recognized as revenue and excluded from pension expense. The City recognized non-employer contributions as follows:

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Municipal Employees' Retirement System of Louisiana (Plan B)	\$ 34,152
Municipal Police Employees' Retirement System of Louisiana	2,519
Firefighters Retirement System of Louisiana	<u>18,562</u>
	<u>\$ 55,233</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The following schedule lists the City's proportionate share of the net pension liability allocated by each of the pension plans based on the measurement dates. The City uses this measurement to record its net pension liability and associated amounts as of June 30, 2020 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at the measurement date for each plan, along with the change compared prior year rates. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, determined by an actuarial valuation as of the measurement date.

		Net Pension Liability (Asset) at Measurement Date		Measurement Rate		Increase (Decrease)
		Governmental Activities	Business- Type Activities	Current	Previous	
MERS (Plan B)	*	\$ 622,482	\$ 510,675	1.295313%	1.340526%	-0.045213%
MPERS	*	111,105	-	1.223400%	0.000000%	1.223400%
FRS	*	433,575	-	0.069240%	0.071143%	-0.001903%
LASERS	*	7,680	-	0.011000%	0.000000%	0.011000%
Total		<u>\$ 1,174,842</u>	<u>\$ 510,675</u>			

* June 30, 2019 measurement date

The following schedule lists each pension plan's recognized pension expense of the City for the year ended June 30, 2020:

Municipal Employees' Retirement System of Louisiana (Plan B)	\$ 234,175
Municipal Police Employees' Retirement System of Louisiana	43,301
Firefighters Retirement System of Louisiana	68,685
Louisiana State Employees' Retirement System	<u>174</u>
	<u>\$ 346,335</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Municipal Employees' Retirement System (MERS):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ -	\$ 27,611	\$ -	\$ 22,650
Change in assumption	37,946	-	31,131	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	4,725	15,114	3,876	12,400
Net differences between projected and actual earnings on plan investments	65,562	-	53,787	-
Contributions subsequent to the measurement date	<u>68,597</u>	<u>-</u>	<u>56,274</u>	<u>-</u>
Total	<u>\$ 176,830</u>	<u>\$ 42,725</u>	<u>\$ 145,068</u>	<u>\$ 35,050</u>

Municipal Police Employees' Retirement System (MPERS):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 233	\$ 3,418
Change in assumptions	6,226	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	72,397	-
Net differences between projected and actual earnings on plan investments	7,218	-
Contributions subsequent to the measurement date	<u>16,230</u>	<u>-</u>
Total	<u>\$ 102,304</u>	<u>\$ 3,418</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Firefighters' Retirement System (FRS):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 31,276
Change in assumptions	39,445	32
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	11,234	47,903
Net differences between projected and actual earnings on plan investments	29,157	-
Contributions subsequent to the measurement date	<u>48,127</u>	<u>-</u>
Total	<u>\$ 127,963</u>	<u>\$ 79,211</u>

Louisiana State Employees' Retirement System (LASERS):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 47	\$ 16
Change of assumptions	66	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	265	-
Contributions subsequent to the measurement date	<u>26,144</u>	<u>-</u>
Total	<u>\$ 26,522</u>	<u>\$ 16</u>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 as follows:

Municipal Employees' Retirement System of Louisiana (Plan B)	\$ 124,871
Municipal Police Employees' Retirement System of Louisiana	16,230
Firefighters Retirement System of Louisiana	48,127
Louisiana State Employees' Retirement System	<u>26,114</u>
	<u>\$ 215,342</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

Year Ended June 30:	MERS	MPERS	FRS	LASERS	Total
2021	\$ 65,722	\$ 30,165	\$ (55)	\$ 267	\$ 96,099
2022	27,271	23,846	(5,027)	(77)	46,013
2023	15,892	26,842	2,815	73	45,622
2024	10,367	1,803	2,453	99	14,722
2025	-	-	435	-	435
2026	-	-	4	-	4
	<u>\$ 119,252</u>	<u>\$ 82,656</u>	<u>\$ 625</u>	<u>\$ 362</u>	<u>\$ 202,895</u>

Actuarial Methods and Assumptions:

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

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

	MERS	MPERS	FRS	LASERS
Valuation Date	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation	7.125% net of investment expense	7.15% per annum, net of investment expense, including inflation	7.6% per annum, net of investment expenses
Projected Salary Increases	7.4% for 1-4 years of service; 4.9% with more than 4 years of service	Varies from 9.75% in 1st year to 4.25% with more than 23 years of service	Varies from 14.75% in 1st year to 4.5% with 25 years or more of service	Varies from 2.8% to 14% depending on member type
Expected Remaining Service Lives	3 years	4 years	7 years, closed period	2 years

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Mortality:

Municipal Employees' Retirement System (MERS) –

RP-2000 Employee Sex Distinct Table set back 2 years for males and females. RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA for Annuitant/Beneficiary mortality. RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females for disabled lives mortality.

Municipal Police Employees' Retirement System (MPERS) –

RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.

RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.

RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.

Firefighters' Retirement System (FRS) –

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

Louisiana State Employees' Retirement System (LASERS) –

Non-disabled members - Mortality rates for 2019 were based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis.

Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation			
	MERS	MPERS	FRS	LASERS
Equity	50.00%	48.50%	49.00%	0.00%
Fixed income	35.00%	33.50%	31.00%	0.00%
Alternatives	15.00%	18.00%	10.00%	0.00%
Other	0.00%	0.00%	10.00%	0.00%
Totals	100.00%	100.00%	100.00%	0.00%

Asset Class	Long-Term Expected Portfolio Real Rate of Return			
	MERS	MPERS	FRS	LASERS
Equity	2.15%	3.28%	20.09%	10.66%
Fixed income	1.51%	0.80%	2.17%	7.28%
Alternatives	0.64%	1.06%	14.66%	8.32%
Other	0.00%	0.00%	9.04%	5.30%
Totals	4.30%	5.14%	45.96%	31.56%

Inflation	2.70%	2.75%	2.75%	2.75%
Expected Arithmetic Nominal Return	7.00%	7.89%	0.00%	0.00%

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Sensitivity to Changes in the Discount Rate: The following table presents the City's proportionate share of net pension liability, using the discount rate of each retirement system, as well as what the City's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
MERS (Plan B)			
Discount Rate	6.000%	7.000%	8.000%
Net Pension Liability (Asset)	\$ 1,510,207	\$ 1,133,157	\$ 814,275
MPERS			
Discount Rate	6.125%	7.125%	8.125%
Net Pension Liability (Asset)	\$ 154,806	\$ 111,105	\$ 74,444
FRS			
Discount Rate	6.150%	7.150%	8.150%
Net Pension Liability (Asset)	\$ 627,845	\$ 433,575	\$ 270,519
LASERS			
Discount Rate	6.600%	7.600%	8.600%
Net Pension Liability (Asset)	\$ 9,693	\$ 7,680	\$ 5,979

(11) Litigation and Claims

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

A detail of compensation, benefits, and other payments paid to Mayor Mike Kloesel follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 24,000
Retirement	3,360
Benefits- insurance	6,381
Car allowance	7,200
Registration fees	<u>200</u>
Total	<u>\$ 41,141</u>

(13) Compensation of City Officials

A detail of compensation paid to the City Council follows:

John Carbaugh	\$ 4,200
Eva Dell Morrison	4,200
Dirk Gary	4,200
Justin Johnson	4,200
Melissa Guidry	<u>4,200</u>
Total	<u>\$ 21,000</u>

(14) Risk Management

The City is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(15) Interfund Transactions

Interfund balances consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 67,314	\$ 11,244
Sales Tax Fund	100	28,266
Enterprise fund	8,180	41,994
Other Governmental Funds	<u>6,510</u>	<u>600</u>
Total	<u>\$ 82,104</u>	<u>\$ 82,104</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,091,118	\$ 109,024
Sales Tax Fund	9,024	291,570
Enterprise fund	286,758	1,952,900
Other Governmental funds	<u>100,000</u>	<u>133,406</u>
Total	<u>\$ 2,486,900</u>	<u>\$ 2,486,900</u>

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

(16) On-behalf Payments

The City has recognized \$73,250 as revenue and expenditure for on-behalf salary payments made by the State of Louisiana.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(17) New Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases. The statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after December 15, 2021. The effect of implementation on the City's financial statements has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 77,350	\$ 77,350	\$ 82,895	\$ 5,545
Licenses and permits	144,750	144,750	201,829	57,079
Intergovernmental	11,750	110,000	97,619	(12,381)
Fines and forfeitures	42,000	42,000	42,285	285
Interest	-	-	3,866	3,866
Miscellaneous	60,000	135,000	72,484	(62,516)
Total revenues	<u>335,850</u>	<u>509,100</u>	<u>500,978</u>	<u>(8,122)</u>
Expenditures:				
Current -				
General government	737,400	811,160	854,246	(43,086)
Public safety:				
Police	138,150	882,400	952,318	(69,918)
Fire	278,850	278,850	294,026	(15,176)
Streets, bridges, and drainage	415,750	388,750	397,259	(8,509)
Culture and recreation	35,500	40,500	40,150	350
Capital outlay	-	150,000	119,480	30,520
Total expenditures	<u>1,605,650</u>	<u>2,551,660</u>	<u>2,657,479</u>	<u>(105,819)</u>
Deficiency of revenues over expenditures	(1,269,800)	(2,042,560)	(2,156,501)	(113,941)
Other financing sources:				
Transfers in	1,950,000	2,159,750	2,091,118	(68,632)
Transfers out	-	-	(109,024)	(109,024)
Total other financing sources	<u>1,950,000</u>	<u>2,159,750</u>	<u>1,982,094</u>	<u>(177,656)</u>
Net change in fund balance	680,200	117,190	(174,407)	(291,597)
Fund balance, beginning	<u>599,795</u>	<u>599,795</u>	<u>599,795</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,279,995</u>	<u>\$ 716,985</u>	<u>\$ 425,388</u>	<u>\$ (291,597)</u>

CITY OF KAPLAN, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 630,000	\$ 630,000	\$ 704,316	\$ 74,316
Intergovernmental	-	-	29,379	29,379
Interest income	1,500	1,500	4,527	3,027
Total revenues	<u>631,500</u>	<u>631,500</u>	<u>738,222</u>	<u>106,722</u>
Expenditures:				
Current -				
General government	102,350	113,600	180,790	(67,190)
Capital outlay	214,150	119,150	59,511	59,639
Debt Service -				
Principal retirement	10,000	10,000	15,860	(5,860)
Interest expense	-	-	2,761	(2,761)
Total expenditures	<u>326,500</u>	<u>242,750</u>	<u>258,922</u>	<u>(16,172)</u>
Excess of revenues over expenditures	<u>305,000</u>	<u>388,750</u>	<u>479,300</u>	<u>90,550</u>
Other financing uses:				
Proceeds from capital lease	-	-	30,269	30,269
Transfers in	-	-	9,024	9,024
Transfers out	(300,000)	(388,750)	(291,570)	97,180
Total other financing sources (uses)	<u>(300,000)</u>	<u>(388,750)</u>	<u>(252,277)</u>	<u>136,473</u>
Net change in fund balance	5,000	-	227,023	227,023
Fund balance, beginning	<u>573,635</u>	<u>573,635</u>	<u>573,635</u>	<u>-</u>
Fund balance, ending	<u>\$ 578,635</u>	<u>\$ 573,635</u>	<u>\$ 800,658</u>	<u>\$227,023</u>

CITY OF KAPLAN, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

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

The General Fund and Sales Tax Fund reported excess expenditures over appropriations.

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Municipal Employees' Retirement System - Plan B
For the Year Ended June 30, 2020

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.322423%	\$ 620,873	\$ 935,008	66.4%	76.94%
2016	1.358310%	\$ 923,171	\$ 957,477	96.4%	68.71%
2017	1.342332%	\$ 1,112,670	\$ 986,226	112.8%	63.34%
2018	1.301377%	\$ 1,125,994	\$ 965,953	116.6%	63.49%
2019	1.340526%	\$ 1,133,860	\$ 993,430	114.1%	65.60%
2020	1.295313%	\$ 1,133,157	\$ 989,224	114.6%	66.14%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
Municipal Employees' Retirement System - Plan B
For the Year Ended June 30, 2020

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 90,960	\$ 90,960	\$ -	\$ 957,477	9.50%
2016	\$ 93,691	\$ 93,691	\$ -	\$ 986,226	9.50%
2017	\$ 106,255	\$ 106,255	\$ -	\$ 965,953	11.00%
2018	\$ 131,456	\$ 131,456	\$ -	\$ 993,430	13.23%
2019	\$ 138,631	\$ 138,631	\$ -	\$ 989,224	14.01%
2020	\$ 124,676	\$ 124,676	\$ -	\$ 890,545	14.00%

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Municipal Police Employees' Retirement System
For the Year Ended June 30, 2020

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.012234%	\$ 111,105	\$ 38,206	290.8%	71.01%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
Municipal Police Employees' Retirement System
For the Year Ended June 30, 2020

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2020	\$ 16,230	\$ 16,230	\$ -	\$ 49,939	32.50%

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
 Firefighters' Retirement System
 For the Year Ended June 30, 2020

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.072949%	\$ 324,617	\$ 163,526	198.5%	76.02%
2016	0.079951%	\$ 431,505	\$ 167,637	257.4%	72.45%
2017	0.078719%	\$ 514,893	\$ 174,878	294.4%	68.16%
2018	0.070796%	\$ 405,792	\$ 161,044	252.0%	73.55%
2019	0.071143%	\$ 409,220	\$ 166,853	245.3%	74.76%
2020	0.069240%	\$ 433,575	\$ 167,343	259.1%	73.96%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
 Firefighters' Retirement System
 For the Year Ended June 30, 2020

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 49,034	\$ 49,034	\$ -	\$ 167,637	29.25%
2016	\$ 51,152	\$ 51,152	\$ -	\$ 174,878	29.25%
2017	\$ 42,315	\$ 42,315	\$ -	\$ 161,044	26.28%
2018	\$ 44,886	\$ 44,886	\$ -	\$ 166,853	26.90%
2019	\$ 44,346	\$ 44,346	\$ -	\$ 167,343	26.50%
2020	\$ 46,914	\$ 46,914	\$ -	\$ 169,058	27.75%

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Louisiana State Employees' Retirement System
For the Year Ended June 30, 2020

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.000110%	\$ 7,680	-	0.0%	62.90%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
Louisiana State Employees' Retirement System
For the Year Ended June 30, 2020

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2020	\$ 26,144	\$ 26,144	\$ -	\$ 59,699	43.79%

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

CITY OF KAPLAN, LOUISIANA

Notes to Retirement System Schedules

(1) Retirement Systems

A. Municipal Employees' Retirement System

- 1) Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2020.
- 2) Changes of assumptions –

Year Ended June 30,	Measurement Date June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase	
						Lower Range	Upper Range
2015	2014	7.750%	7.750%	3.000%	4	5.75%	-
2016	2015	7.500%	7.500%	2.875%	4	5.00%	-
2017	2016	7.500%	7.500%	2.875%	4	5.00%	-
2018	2017	7.400%	7.400%	2.775%	4	5.00%	-
2019	2018	7.275%	7.275%	2.600%	3	5.00%	-
2020	2019	7.000%	7.000%	2.500%	3	4.50%	7.40%

B. Municipal Police Employees' Retirement System

- 1) Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2020.
- 2) Changes of assumptions –

Year Ended June 30,	Measurement Date June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase	
						Lower Range	Upper Range
2020	2019	7.125%	7.125%	2.500%	4	4.25%	9.75%

CITY OF KAPLAN, LOUISIANA

Notes to Retirement System Schedules

C. Firefighters' Retirement System

1) Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2020.

2) Changes of assumptions –

Year Ended June 30,	Measurement Date June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase	
						Lower Range	Upper Range
2015	2014	7.50%	7.50%	3.000%	7	5.50%	15.00%
2016	2015	7.50%	7.50%	2.875%	7	4.75%	15.00%
2017	2016	7.50%	7.50%	2.875%	7	4.75%	15.00%
2018	2017	7.40%	7.40%	2.775%	7	4.75%	15.00%
2019	2018	7.30%	7.30%	2.700%	7	4.75%	15.00%
2020	2019	7.15%	7.15%	2.500%	7	4.50%	14.75%

D. Louisiana State Employees' Retirement System

1) Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2020.

2) Changes of assumptions –

Year Ended June 30,	Measurement Date June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase	
						Lower Range	Upper Range
2020	2019	7.600%	7.600%	2.500%	2	2.80%	14.00%

OTHER SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Fire Protection Fund -

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

Police Special Fund -

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

Capital Projects Fund

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

Debt Service Fund

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

General Obligation Bonds

To accumulate monies for the General Obligation Bonds, Series 2015 and 2019 issued in the amounts of \$1,000,000 and \$750,000, respectively. Debt service is financed by specifically dedicated ad valorem tax

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2020

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Totals</u>
	<u>Fire Protection Fund</u>	<u>Police Special Fund</u>	<u>General Obligation Bonds Fund</u>	<u>Capital Projects Fund</u>	
ASSETS					
Cash and interest -bearing deposits	\$ 109,637	\$ 8,761	\$ 671,996	\$ 100	\$ 790,494
Due from other governmental entities	38,393	-	-	-	38,393
Due from other funds	6,510	-	-	-	6,510
Accrued interest receivable	87	-	10	-	97
Total assets	<u>\$ 154,627</u>	<u>\$ 8,761</u>	<u>\$ 672,006</u>	<u>\$ 100</u>	<u>\$ 835,494</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,217	\$ -	\$ -	\$ -	\$ 1,217
Due to other funds	-	500	-	100	600
Total liabilities	<u>1,217</u>	<u>500</u>	<u>-</u>	<u>100</u>	<u>1,817</u>
Fund balances:					
Restricted	-	-	672,006	-	672,006
Assigned	153,410	8,261	-	-	161,671
Total fund balances	<u>153,410</u>	<u>8,261</u>	<u>672,006</u>	<u>-</u>	<u>833,677</u>
Total liabilities and fund balances	<u>\$ 154,627</u>	<u>\$ 8,761</u>	<u>\$ 672,006</u>	<u>\$ 100</u>	<u>\$ 835,494</u>

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2020

	Special Revenue		Debt Service		Totals
	Fire Protection Fund	Police Special Fund	General Obligation Bonds Fund	Capital Projects Fund	
Revenues:					
Taxes	\$ -	\$ -	\$ 165,744	\$ -	\$ 165,744
Intergovernmental	74,748	5,000	-	-	79,748
Fines and forfeits	-	7,017	-	-	7,017
Interest income	795	-	3,292	-	4,087
Miscellaneous	42,192	-	-	-	42,192
Total revenues	<u>117,735</u>	<u>12,017</u>	<u>169,036</u>	<u>-</u>	<u>298,788</u>
Expenditures:					
Public safety -					
Police	-	13,250	-	-	13,250
Fire	61,246	-	-	-	61,246
Capital outlay	40,306	-	-	-	40,306
Debt service -					
Principal retirement	-	-	112,000	-	112,000
Interest and fiscal charges	-	-	39,059	-	39,059
Total expenditures	<u>101,552</u>	<u>13,250</u>	<u>151,059</u>	<u>-</u>	<u>265,861</u>
Deficiency of revenues over expenditures	16,183	(1,233)	17,977	-	32,927
Other financing sources:					
Transfers in	100,000	-	-	-	100,000
Transfers out	-	-	(133,406)	-	(133,406)
Total other financing sources	<u>100,000</u>	<u>-</u>	<u>(133,406)</u>	<u>-</u>	<u>(33,406)</u>
Net change in fund balances	116,183	(1,233)	(115,429)	-	(479)
Fund balances, beginning	<u>37,227</u>	<u>9,494</u>	<u>787,435</u>	<u>-</u>	<u>834,156</u>
Fund balances, ending	<u>\$ 153,410</u>	<u>\$ 8,261</u>	<u>\$ 672,006</u>	<u>\$ -</u>	<u>\$ 833,677</u>

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers and Rates
June 30, 2020 and 2019

Records maintained by the City indicated the following number of customers were being serviced during the month of June 30, 2020 and 2019.

<u>Department</u>	<u>2020</u>	<u>2019</u>
Electric (metered)	2,381	2,362
Gas (metered)	1,544	1,531
Water (metered)	2,324	2,304
Sewerage	2,132	2,108

The monthly water rates of the City are as follows:

Residential - Within corporation limits	
Minimum charge	\$12.00
Additional gallons in excess of 2,000	\$3.25 per 1000 gallons
Residential - Outside corporation limits	
Minimum charge	\$15.00
Additional gallons in excess of 2,000	\$3.75 per 1000 gallons
Commercial (minimum charge)	\$19.06
Additional gallons in excess of 4,000	\$3.25 per 1000 gallons
Industrial (minimum charge)	\$150.00
Additional gallons in excess of 4,000	\$2.75 per 1000 gallons

The monthly sewer rates of the City are as follows:

Residential (minimum charge)	\$13.50
Additional gallons in excess of 2,000	\$3.25 per 1000 gallons
In excess of 40,000 gallons	\$0.75 per 1000 gallons
Commercial (minimum charge)	\$15.97
Additional gallons in excess of 2,000	\$3.25 per 1000 gallons
Industrial (minimum charge)	\$25.00
Additional gallons in excess of 4,000	\$3.00 per 1000 gallons

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2020 and 2019

	Electricity		Gas		Water		Sewerage		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating revenues:										
Customers service charges	\$4,793,839	\$4,830,060	\$ 633,521	\$ 727,294	\$706,685	\$712,765	\$ 646,696	\$ 654,745	\$6,780,741	\$6,924,864
Operating expenses:										
Salaries	186,104	217,931	97,976	122,914	123,701	128,571	118,521	112,232	526,302	581,648
Benefit payments:										
Payroll taxes	12,702	16,349	6,627	10,363	8,305	9,501	8,148	8,520	35,782	44,733
Retirement	34,895	45,072	18,075	28,401	16,844	20,543	12,182	8,265	81,996	102,281
Insurance - Employees	27,576	27,831	15,968	26,317	18,834	19,792	11,184	5,558	73,562	79,498
Insurance	40,344	42,867	41,777	44,038	37,135	33,343	21,875	22,927	141,131	143,175
Electricity and gas purchased	2,645,834	2,757,340	168,415	232,822	-	-	-	-	2,814,249	2,990,162
Operating supplies	7,571	9,748	9,906	12,364	96,916	73,087	24,488	18,600	138,881	113,799
Office expenses	11,375	11,861	1,583	2,096	1,746	1,669	1,392	1,353	16,096	16,979
Professional fees	-	320	1,835	972	5,915	20,188	28,987	25,295	36,737	46,775
Repairs and maintenance	88,336	85,786	63,745	79,650	47,910	44,287	82,587	49,964	282,578	259,687
Telephone and utilities	2,133	2,184	997	916	93,950	91,245	70,156	77,937	167,236	172,282
Bad debt expense	19,327	9,947	2,207	883	3,261	1,235	3,014	1,134	27,809	13,199
Depreciation	61,430	63,249	63,939	63,132	132,891	131,775	322,683	322,365	580,943	580,521
Miscellaneous	9,257	37,975	4,719	8,791	3,221	9,053	5,580	9,282	22,777	65,101
Total operating expenses	3,146,884	3,328,460	497,769	633,659	590,629	584,289	710,797	663,432	4,946,079	5,209,840
Net operating income (loss)	\$1,646,955	\$1,501,600	\$ 135,752	\$ 93,635	\$116,056	\$128,476	\$ (64,101)	\$ (8,687)	\$1,834,662	\$1,715,024

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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

The Honorable Mike Kloesel, Mayor
and Members of the City Council
City of Kaplan, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Kaplan, Louisiana's basic financial statements and have issued our report thereon dated October 15, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kaplan, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2020-003.

City of Kaplan, Louisiana's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
October 15, 2020

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended June 30, 2020

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

A. Internal Control Over Financial Reporting

2020-001 Inadequate Segregation of Accounting Functions

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

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

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

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Mike Kloesel, Mayor, has reassigned some of the accounting duties.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2020

2020-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities in the financial statement preparation process.

CRITERIA: The City's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

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

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2020

B. Compliance and other matters

2020-003 Budget noncompliance

CONDITION: A budget variance in excess of 5% occurred in the Sales Tax Fund expenditures.

CRITERIA: LSA-RS 39:1311 et seq, Budgetary Authority and Control, provides for amending the budget when total revenue plus projected revenue are failing to meet total budgeted revenues by 5% or more, or when total expenditures plus projected expenditures exceed budgeted expenditures by 5% or more."

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: The budget noncompliance was due to management not having knowledge of how to account for the recording of capital lease and only current payments of the lease were recorded and budgeted when the full cost of the expenditures should have been budgeted as well. The City will make sure to budget the full cost of all future capital lease purchases.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2019-001 Inadequate Segregation of Functions

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

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

CURRENT STATUS: Unresolved. See item 2020-001.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2020

2019-002 Application of Generally Accepted Accounting Principles (GAAP)

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

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

CURRENT STATUS: Unresolved. See item 2020-002.

B. Compliance and other matters

None reported.