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TOWN OF KENTWOOD

LOUISIANA

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GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1998

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

Release Date JUL 2 1 1999

**TOWN OF KENTWOOD
(LOUISIANA)**

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

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**TOWN OF KENTWOOD
LOUISIANA**

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

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TOWN OF KENTWOOD
LOUISIANA

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Kentwood, Louisiana's, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain matters regarding the year 2000 issue. The Town of Kentwood, Louisiana, has included such disclosures in Note 19. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Town of Kentwood's disclosures with respect to the year 2000 issue made in Note 19. Further, we do not provide assurance that the Town of Kentwood is or will be successful in whole or in part, or that parties with which the Town of Kentwood does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Kentwood, Louisiana, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 1999 on our consideration of the Town of Kentwood, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

BRUCE HARRELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

Page 2

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Town of Kentwood, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Also the combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Kentwood, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 18, 1999

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

Town of Kentwood

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 1998

	Governmental Funds			Proprietary Fund
	General	Special Revenue	Capital Projects	Enterprise
ASSETS				
Cash	\$ 480,505	\$ 341,926	\$ 1	\$ 440,016
Taxes Receivable, Net	36,451	-	-	-
Accounts Receivable, Net	-	-	-	138,840
Inventory	-	-	-	13,838
Due From Other Funds	9,043	1,090	-	-
Due From Other Governments	85,208	39,616	30,219	-
Other Receivables	10,889	-	-	-
Restricted Assets - Cash	-	-	-	214,492
Fixed Assets	-	10,776	-	5,474,298
Accumulated Depreciation	-	-	-	(2,172,112)
Amount to be Provided for Retirement of General Long-term Obligations	-	-	-	-
TOTAL ASSETS	<u>\$ 622,096</u>	<u>\$ 393,408</u>	<u>\$ 30,220</u>	<u>\$ 4,109,372</u>

(Continued on the following page.)

The accompanying notes are an integral part of this statement.

Statement A

ACCOUNT GROUP			
General Fixed Assets	General Long-term Obligations	Total Memorandum Only	
		1998	1997
\$ -	\$ -	\$ 1,262,448	\$ 933,979
-	-	36,451	69,392
-	-	138,840	175,060
-	-	13,838	3,552
-	-	10,133	13,148
-	-	155,043	191,369
-	-	10,889	10,662
-	-	214,492	179,404
2,189,418	-	7,674,492	7,001,363
-	-	(2,172,112)	(2,002,581)
-	-	-	22,933
<u>\$ 2,189,418</u>	<u>\$ -</u>	<u>\$ 7,344,514</u>	<u>\$ 6,598,281</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 1998

	Governmental Funds			Proprietary Fund
	General	Special Revenue	Capital Projects	Enterprise
LIABILITIES				
Accounts Payable	\$ 44,809	\$ 4,433	\$ 5,000	\$ 49,495
Other Accrued Expenses	37,974	-	-	14,215
Payable From Restricted Assets:				
Customer Deposits	-	-	-	72,313
Revenue Bonds	-	-	-	10,341
Accrued Interest Payable -	-	-	-	3,547
Contracts Payable	-	-	25,220	10,261
Due to Other Funds	1,090	9,043	-	-
Due to Other Governments	-	7,725	-	-
Deferred Revenue	-	12,304	-	-
Lease Payable	-	-	-	-
Revenue Bonds Payable	-	-	-	851,206
Total Liabilities	<u>83,873</u>	<u>33,505</u>	<u>30,220</u>	<u>1,011,378</u>
FUND EQUITY				
Contributed Equity	-	-	-	2,871,987
Accumulated Amortization	-	-	-	(771,724)
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Reserved for Contingencies	-	-	-	123,905
Reserved for Bond				
Payments RUS	-	-	-	17,991
Unreserved	-	-	-	855,835
Fund Balance:				
Reserved for Economic Development	62,000	-	-	-
Unreserved-Undesignated	476,223	359,903	-	-
Total Fund Balance/Retained Earnings	<u>538,223</u>	<u>359,903</u>	<u>-</u>	<u>997,731</u>
Total Fund Equity	<u>538,223</u>	<u>359,903</u>	<u>-</u>	<u>3,097,994</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 622,096</u>	<u>\$ 393,408</u>	<u>\$ 30,220</u>	<u>\$ 4,109,372</u>

The accompanying notes are an integral part of this statement.

Statement A
(Continued)

Account Group		Total	
General Fixed Assets	General Long-term Obligations	Memorandum Only	
		1998	1997
\$ -	\$ -	\$ 103,737	\$ 197,856
-	-	52,189	49,540
-	-	72,313	68,646
-	-	10,341	9,834
-	-	3,547	3,581
-	-	35,481	-
-	-	10,133	13,149
-	-	7,725	2,714
-	-	12,304	10,611
-	-	-	38,190
-	-	851,206	861,561
-	-	<u>1,158,976</u>	<u>1,255,682</u>
-	-	2,871,987	2,272,287
-	-	(771,724)	(695,283)
2,189,418	-	2,189,418	2,128,335
-	-	123,905	90,696
-	-	17,991	14,930
-	-	855,835	884,825
-	-	62,000	62,000
-	-	836,126	584,809
-	-	<u>1,895,857</u>	<u>1,637,260</u>
<u>2,189,418</u>	-	<u>6,185,538</u>	<u>5,342,599</u>
<u>\$ 2,189,418</u>	<u>\$ -</u>	<u>\$ 7,344,514</u>	<u>\$ 6,598,281</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 1998**

	GOVERNMENTAL FUNDS		
	General	Special Revenue	Capital Projects
Revenues			
Taxes	\$ 599,489	\$ -	\$ -
Licenses and Permits	105,491	-	-
Intergovernmental	286,170	295,601	431,901
Charges for Services	20,150	-	-
Fines and Forfeits	16,126	-	-
Miscellaneous	134,940	5,992	-
Total Revenues	<u>1,162,366</u>	<u>301,593</u>	<u>431,901</u>
Expenditures			
General and Administrative	264,930	15,826	-
Public Safety	405,395	69,369	-
Streets and Sanitation	344,740	-	-
Health	4,646	-	-
Cultural	8,503	-	-
Housing Assistance Payments	-	104,582	-
Capital Outlays	54,272	17,160	431,901
Debt Service:			
Principal Retirement	22,933	-	-
Interest and Fiscal Charges	1,244	-	-
Total Expenditures	<u>1,106,663</u>	<u>206,937</u>	<u>431,901</u>
Excess of Revenues (Expenditures)	<u>55,703</u>	<u>94,656</u>	<u>-</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	1,070	-	-
Operating Transfers In	99,888	10,310	-
Operating Transfers Out	(10,310)	-	-
Total Other Financing Sources (Uses)	<u>90,648</u>	<u>10,310</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	146,351	104,966	-
Fund Balance, Beginning of Year	<u>391,872</u>	<u>254,937</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 538,223</u>	<u>\$ 359,903</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Statement B

TOTALS
(MEMORANDUM ONLY)

1998	1997
\$ 599,489	\$ 585,418
105,491	100,292
1,013,672	684,686
20,150	18,109
16,126	17,574
140,932	125,628
1,895,860	1,531,707
280,756	257,532
474,764	461,449
344,740	330,231
4,646	4,764
8,503	-
104,582	115,110
503,333	430,504
22,933	20,636
1,244	3,541
1,745,501	1,623,767
150,359	(92,060)
1,070	9,857
110,198	109,675
(10,310)	(9,675)
100,958	109,857
251,317	17,797
646,809	629,012
\$ 898,126	\$ 646,809

The accompanying notes are an integral part of this statement.

Town of Kentwood

Statement C

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUND TYPES
Year Ended December 31, 1998**

	GENERAL FUND TYPE			SPECIAL REVENUE FUND TYPES		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 592,000	\$ 599,489	\$ 7,489	\$ -	\$ -	\$ -
Licenses and Permits	100,300	105,491	5,191	-	-	-
Intergovernmental	249,121	286,170	37,049	317,423	295,601	(21,822)
Charges for Services	19,350	20,150	800	-	-	-
Fines and Forfeits	16,000	16,126	126	-	-	-
Miscellaneous	131,850	134,940	3,090	5,300	5,992	692
Total Revenues	<u>1,108,621</u>	<u>1,162,366</u>	<u>53,745</u>	<u>322,723</u>	<u>301,593</u>	<u>(21,130)</u>
Expenditures						
General and Administrative	284,090	264,930	19,160	23,933	15,826	8,107
Public Safety	424,044	429,572	(5,528)	87,000	69,369	17,631
Streets and Sanitation	346,800	344,740	2,060	-	-	-
Health	4,655	4,646	9	-	-	-
Cultural	8,355	8,503	(148)	-	-	-
Capital Outlays	53,043	54,272	(1,229)	28,500	17,160	11,340
Housing Assistance Payments	-	-	-	132,984	104,582	28,402
Total Expenditures	<u>1,120,987</u>	<u>1,106,663</u>	<u>14,324</u>	<u>272,417</u>	<u>206,937</u>	<u>65,480</u>
Excess of Revenues (Expenditures)	<u>(12,366)</u>	<u>55,703</u>	<u>68,069</u>	<u>50,306</u>	<u>94,656</u>	<u>44,350</u>
Other Financing Sources (Uses)						
Sale of Fixed Assets	500	1,070	570	-	-	-
Operating Transfers In	100,000	99,888	(112)	10,000	10,310	310
Operating Transfers Out	(10,000)	(10,310)	(310)	-	-	-
Total Other Financing Sources (Uses)	<u>90,500</u>	<u>90,648</u>	<u>148</u>	<u>10,000</u>	<u>10,310</u>	<u>310</u>
Excess Revenues and Other Financing Sources (Expenditures and Other Financing Uses)	<u>78,134</u>	<u>146,351</u>	<u>68,217</u>	<u>60,306</u>	<u>104,966</u>	<u>44,660</u>
Fund Balance, Beginning of Year	<u>391,872</u>	<u>391,872</u>	<u>-</u>	<u>254,937</u>	<u>254,937</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 470,006</u>	<u>\$ 538,223</u>	<u>\$ 68,217</u>	<u>\$ 315,243</u>	<u>\$ 359,903</u>	<u>\$ 44,660</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Statement D

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN UNRESERVED RETAINED EARNINGS
PROPRIETARY FUND TYPE
Year Ended December 31, 1998

Operating Revenues	
Charges for Services:	
Water Sales	\$ 225,203
Sewer Service Charges	209,330
Gas Sales	379,918
Service Connection Charges	1,910
Delinquent Charges	21,085
Other Income	387
	<u> </u>
Total Operating Revenues	<u>837,833</u>
Operating Expenses	
Water Department Expenses	204,032
Gas Department Expenses	363,780
Sewer Department Expenses	219,352
	<u> </u>
Total Operating Expenses	<u>787,164</u>
Net Operating Income	<u>50,669</u>
Nonoperating Revenues (Expenses)	
Interest Income	28,180
Bad Debt Recoveries	2,034
Sale of Fixed Assets	-
Bad Debt Expense	(6,796)
Interest Expense	(43,359)
	<u> </u>
Total Nonoperating Revenues (Expenses)	<u>(19,941)</u>
Net Income Before Operating Transfers	30,728
Operating Transfer to General Fund	(99,888)
	<u> </u>
Net Income (Loss)	(69,160)
Unreserved Retained Earnings, Beginning of Year	884,825
Add: Amortization on Contributed Capital	76,440
Less: Increase in Reserved Retained Earnings	(36,270)
	<u> </u>
Unreserved Retained Earnings, End of Year	<u>\$ 855,835</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Statement E

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE
Year Ended December 31, 1998**

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income		\$ 50,669
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	\$ 169,531	
Change in Accounts Receivable	36,220	
Change in Due From Others	9,293	
Change in Inventory	(10,286)	
Change in Current Liabilities	4,725	
Change in Restricted Liabilities	<u>3,633</u>	
 Total Adjustments		 <u>213,116</u>
 Net Cash Provided by Operating Activities		 263,785

Cash Flows from Capital and Related Financing Activities:

Interest Income	28,180	
Repayment of RECD Bonds	(9,848)	
Repayment of Lease Payable	(15,257)	
Payment for Capital Acquisitions	(611,461)	
Interest Paid	(43,359)	
Capital Contributions	<u>599,700</u>	
 Net Cash Used for Capital and Related Financing Activities		 (52,045)

Cash Flows from Non-capital Financing Activities:

Operating Transfers to Other Funds	(99,888)	
Sale of Fixed Assets	-	
Bad Debt Recoveries	2,034	
Bad Debt Expense	<u>(6,796)</u>	
 Net Cash Used for Non-capital Financing Activities		 <u>(104,650)</u>

Net Increase in Cash and Cash Equivalents		107,090
Cash and Cash Equivalents, Beginning of Year		<u>547,418</u>
Cash and Cash Equivalents, End of Year		<u>\$ 654,508</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 1998

Introduction

The Town of Kentwood was incorporated March, 1893, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. For financial reporting purposes, the Town includes all funds and account groups that are controlled by or dependent on the Town as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Town's obligation to fund any deficits.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the Town of Kentwood have been prepared in conformity with generally excepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As the municipal governing authority, for reporting purpose, the Town of Kentwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No.14 established criteria for determining which component units should be considered part of the Town of Kentwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Generally accepted accounting principals require the Town of Kentwood (the primary government) to present these financial statements with any component units. The Town of Kentwood has no component units to include in its financial statements.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

C. Fund Accounting

The Town of Kentwood uses fund types and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Town of Kentwood are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each fund type follows:

Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, and the acquisition or construction of general fixed assets. Governmental funds include:

1. General fund - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Fund

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The proprietary fund is:

Enterprise fund - accounts for operations (a) where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and 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.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

Revenues

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are measurable and available).

Expenditures

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations which are recognized when paid.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). The transfers are recorded at the time the money is transferred.

The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

E. Budgets and Budgetary Accounting

The Town of Kentwood follows these procedures and those required by the Local Budget Act No. 504 of the 1980 Legislature and its amendments in establishing the budgetary data reflected in these financial statements.

1. The Mayor and Town Clerk prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General, Special Revenue, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

F. Encumbrances

The Town of Kentwood does not use encumbrance accounting.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Kentwood may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

H. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

I. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriations. The Town of Kentwood does not have any of these type advances.

J. Inventories

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

Inventory in the proprietary fund consists of natural gas reserves purchased and is recorded as an expense when consumed. The inventory is valued at the lower of cost (first-in, first-out) or market.

K. Prepaid Items

The Town of Kentwood does not have any prepaid items.

L. Restricted Assets

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

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

M. Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. Interest costs incurred during construction are capitalized. No depreciation has been provided on general fixed assets. All assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Fixed assets used in the proprietary fund are included on the balance sheet of the funds. Depreciation of exhaustible fixed assets used by the proprietary fund is charged as an expense against operations, and accumulated depreciation is reported on the proprietary fund's balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

N. Compensated Absences (Annual Vacation and Sick Leave)

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

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

All regular employees, except police with less than three years, earn:

Annual leave - ½ day per month
Sick leave - 1 day per month

Police with less than six years earn:

Annual leave - 2 weeks per year
Sick leave - 1 day per month

All regular employees, except police with three years, but less than ten years earn:

Annual leave - ¾ day per month
Sick leave - 1 day per month

Police after six years earn:

Annual leave - 3 weeks per year
Sick leave - 1 day per month

All regular employees except police with ten years or more earn:

Annual leave - 1 day per month
Sick leave - 1 day per month

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

All regular employees are allowed to accumulate up to thirty (30) days of unused annual leave and an unlimited amount of unused sick leave.

When workmen's compensation is due an employee, that employee has the option of using accrued annual vacation and sick leave while drawing workmen's compensation, but must reimburse the town all workmen's compensation benefits received.

A law officer disabled while performing duty of hazardous nature may be granted a leave of absence by the Town with full pay during the period of disability, provided all workmen's compensation benefits are reimbursed to the town.

As of December 31, 1998, the General Fund reported accrued annual vacation leave of \$15,621. The Enterprise Fund for the same period reported accrued vacation leave of \$6,475.

In accordance with Financial Accounting Standards Board (FASB) Statement Number 43, no liability has been accrued for unused sick leave.

O. Long-term Obligations

Long-term obligations of the Town of Kentwood expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental fund when due. Long-term obligations expected to be financed from propriety fund operations are accounted for in those funds.

P. Fund Equity

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition of or construction of capital assets. Contributed capital is amortized based on the depreciation recognized in that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Designated fund balance

Designated fund balances represent tentative plans for future use of financial resources.

Q. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the Town of Kentwood are reported as operating transfers.

R. Bad Debts

The Town of Kentwood does not have an allowance for uncollectible ad valorem taxes because the amounts, if any, are immaterial. Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the direct write-off method. An allowance account of \$600 was set up in prior years to allow for the uncollectibility of certain receivables.

S. Total Columns on Combined Statements

Total Columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Cash and Cash Equivalents

At December 31, 1998, the Town has cash and cash equivalents (book balances) totaling \$1,476,940, as follows:

Demand deposits	\$ 114,051
Interest-bearing demand deposit	1,104,954
Time deposits	257,935
Total	<u>\$ 1,476,940</u>

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

At December 31, 1998, the Town has \$1,485,164 in deposits (collected bank balances). These deposits are secured from risk by \$616,834 of federal deposit insurance and \$868,330 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

(3) Taxes

For the year ended December 31, 1998 taxes were levied as follows:

On December 14, 1970, the Town of Kentwood was authorized to levy a one percent (1%) sales and use tax. The proceeds of this one percent (1%) sales and use tax levied by the Town are for general corporate purposes. On June 14, 1984, the Town amended the provisions of this one percent (1%) sales and use tax as to the definitions, goods and services taxable, exemptions, penalties, interest, fines, etc.

In an election held April 7, 1984, the Town was authorized to levy and collect an additional tax of one percent (1%) in addition to a sales and use tax now levied and collected in the Town upon the sale at retail, the use, the lease or rental, the consumption, and storage for use or consumption, of tangible personal property and on sales of services in the Town, all as presently defined, in LRS - 47:317, inclusive for a period of twenty (20) years from date of the first levy of said tax, with the proceeds of the tax (after paying reasonable and necessary costs and expenses of collecting and administering tax) to be used for the following purposes: not to exceed fifty percent (50%) of the proceeds for the constructing, acquiring, improving, maintaining and operating solid waste collection and disposal facilities; the remainder of the proceeds for the purpose of paying policemen's and other Town employees salaries and other general operating costs of the Town; constructing and acquiring additions, extensions and improvements to the sewerage collection, disposal and treatment plant and system, the waterworks plant and system; and the natural gas system; constructing, paving, resurfacing and improving streets, sidewalks, roads, bridges, alleys, drains and drainage canals, and acquiring necessary equipment for the maintenance thereof; acquiring fire protection and public safety equipment and facilities; constructing and improving public buildings, jails, public parks, and recreation facilities, including the necessary equipment and furnishings thereof; title to said improvements shall be in the public. The additional one percent (1%) sales and use tax was levied effective July, 1984.

Sales and use taxes collected for year ended December 31, 1998, was \$513,439.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the Town on May 1, 1998, and actually billed to the taxpayers in November, 1998. Billed taxes were delinquent on January 1, 1999. Revenues from ad valorem taxes are budgeted in the year billed.

The Town of Kentwood bills and collects its own property taxes, using the assessed value determined by the tax assessor of Tangipahoa Parish, Louisiana.

For the year ended December 31, 1998, taxes of 6.40 mills were levied on property with assessed valuations totaling \$6,945,020 and were dedicated as follows:

	Mills	FYE 12/31/98
General Corporate Purposes	6.40	\$ 49,064

The Town does not have an allowance for uncollectible ad valorem taxes because the amounts, if any, are immaterial.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

The following public utilities were assessed a public utilities franchise tax for the privilege of providing services to the citizens of the Town of Kentwood. These taxes are dedicated for any general corporate purpose.

	FYE 12/31/98
Entergy	\$ 31,922
Cable TV	5,044
	\$ 36,966

Taxes receivable in the general fund at December 31, 1998, consisted of the following:

	FYE 12/31/98
Ad Valorem Taxes Receivable, Current Roll	\$ 23,400
Public Utility Franchise Tax Receivable	13,051
Total Taxes Receivable, Net	\$ 36,451

(4) Accounts Receivable

The Water and Gas Department Enterprise Fund accounts receivable at December 31, 1998, consisted of the following:

	FYE 12/31/98
Accounts Receivable	\$ 139,440
Less: Allowance for Bad Debts	600
Accounts Receivable, Net	\$ 138,840

(5) Interfund Receivables, Payables

At December 31, 1998, the Town had the following interfund receivables/payables.

	Due to Other Funds	Due From Other Funds
General Fund	\$ 1,090	\$ 9,043
Special Revenue Fund	9,043	1,090
Total	\$ 10,133	\$ 10,133

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

(6) Due From Other Governments

Amounts due from other governmental units consisted of the following:

	12/31/98
General Fund:	
Taxes due from the State of Louisiana	\$ 45,999
Taxes due from the Tangipahoa Parish School Board	39,209
Special Revenue Funds:	
Tangipahoa Parish Council Maintenance Allowance	39,616
Capital Projects Fund:	
LCDBG	30,219
Total Due From Other Governments	\$ 155,043

(7) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at December 31, 1998:

	12/31/98
Bond Reserve Account	\$ 17,991
Bond Contingency Account	20,634
Contingency Account	103,271
Customers' Deposits	72,596
	\$ 214,492

(8) Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance December 31, 1997	Additions	Deletions	<i>Balance</i> December 31, 1998
Land	\$ 181,135	\$ -	\$ -	\$ 181,135
Buildings	1,106,275	-	-	1,106,275
Equipment	840,925	71,432	10,349	902,008
Total General Fixed Assets	\$ 2,128,335	\$ 71,432	\$ 10,349	\$ 2,189,418

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

A summary of proprietary fund type property, plant and equipment at December 31, 1998, follows:

Description	Life In Years	Cost	Accumulated Depreciation	Net	Depreciation This Year
Land		\$ 11,000	\$ -	\$ 11,000	\$ -
Buildings	33.3	35,898	20,717	15,181	1,747
Water System	Var.	1,579,315	578,194	1,001,121	27,807
Sewer System	Var.	2,886,087	968,304	1,917,783	108,936
Natural Gas System	Var.	788,250	469,822	318,428	14,890
Equipment	Var.	165,555	126,882	38,673	15,693
Computer System	7.0	8,193	8,193	-	458
Total		<u>\$ 5,474,298</u>	<u>\$ 2,172,112</u>	<u>\$ 3,302,186</u>	<u>\$ 169,531</u>

Description	Cost	Accumulated Depreciation	Net
Changes During the Year:			
Balance, Beginning of Year	\$ 4,862,838	\$ (2,002,581)	\$ 2,860,257
Additions	611,460	-	611,460
Deletions	-	-	-
Depreciation, Current	-	(169,531)	(169,531)
Balance, End of Year	<u>\$ 5,474,298</u>	<u>\$ (2,172,112)</u>	<u>\$ 3,302,186</u>

(9) Changes in Long-Term Debt

The following is a summary of note transactions of the Town of Kentwood for the year ended December 31, 1998:

	General Long-term Obligations	Proprietary Fund Type		Total
	Lease Payable	Lease Payable	Utility Revenue	
Notes Payable, January 1, 1998	\$ 22,933	\$ 15,257	\$ 871,395	\$ 909,585
Notes Retired	(22,933)	(15,257)	(9,848)	(48,038)
Notes Payable, December 31, 1998	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 861,547</u>	<u>\$ 861,547</u>

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

Bonds payable at December 31, 1998, are comprised of the following individual issues:

Revenue Bonds Payable:

\$910,000 Sewer Revenue Bonds sold to Rural Utilities Service, dated 6/01/92; due in monthly installments of \$4,431.70 starting July 1, 1993 through June 1, 2033; interest at 5%

\$ 861,547

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest payments of \$973,163 are as follows:

<u>Year Ending December 31,</u>	<u>1992 Revenue</u>	<u>Total</u>
1999	\$ 53,180	\$ 53,180
2000	53,180	53,180
2001	53,180	53,180
2002	53,180	53,180
2003	53,180	53,180
2004-2008	265,900	265,900
2009-2013	265,900	265,900
2014-2018	265,900	265,900
2019-2023	265,900	265,900
2024-2028	265,900	265,900
2029-2033	239,310	239,310
	<u>\$ 1,834,710</u>	<u>\$ 1,834,710</u>

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

(10) Flow of Funds, Restrictions on Use 1992 RUS Sewer Revenue Bonds

The governing authority of the Town adopted a resolution on June 18, 1991, authorizing issuance of \$910,000 of Sewer Revenue Bonds. On June 1, 1992, the Town sold the \$910,000 authorized bonds to USDA Rural Development (RUS). The bonds were issued for forty (40) years payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds are restricted and are subject to the provisions of the above resolution adopted June 18, 1991. As of December 31, 1993, USDA Rural Development had advanced all of the bond proceeds to the Town.

Under the terms of the bond proceeds to the Town, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the utility system of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating and maintaining of the system. The bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of indebtedness.

The Town has established monthly sewer service charges as follows:

Residential	\$ 16
Commercial	\$ 32
Schools	\$200

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

There shall also be set aside into "Utility System Revenue Bond Reserve Fund" a sum equal to 5% of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default. As of December 31, 1998, the Town has accumulated \$17,991 in this account.

Funds will also be set into a "Depreciation and Contingency Fund" after completion of the project at the rate of \$250 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in the other bond funds. As of December 31, 1998, the "Depreciation and Contingency Fund" reserve had a balance of \$20,634.

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

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

(11) Contributions

At December 31, 1998, the following contributions toward the cost of the utility plant and engineering services had been received.

	1998
U. S. Government - HHFA	\$ 2,441
Mississippi Federated Corp.; Arcola, LA	4,138
U. S. Government - Department of Interior and Environmental Protection Agency	39,559
Municipality - Original Sewerage System	15,269
Antirecession Fiscal Assistance Fund	15,665
U. S. Government - 1975 Community Development Block Grant Program	74,610
U. S. Government - 1976 Community Development Block Grant Program	89,800
U. S. Government - 1977 Community Development Block Grant Program	250,000
Special Revenue Fund - Federal Revenue Sharing	60,036
U. S. Government - Department of Interior and Environmental Protection Agency (Step I Grant)	65,657
U. S. Government - 1981 Community Development Block Grant Program	411,387
William A. Tycer - Engineering Fees (EPA Step I Sewer Project)	3,806
U. S. Department of Commerce, Economic Development Administration (EDA)	118,175
Kentwood Spring Water, Inc.	29,544
American Spring Water	2,060
Municipality	202
State of La - Rural Development Grant	25,000
RUS Sewerage Grant	324,001
LA Dept of Transportation & Development	159,555
U. S. Government - 1991 Louisiana Community Development Block Grant Program	581,382
U. S. Department of HUD - 1996 LCDBG	599,700
Total Contributions	2,871,987
Less: Accumulated Amortization	771,724
Net Contributions	\$2,100,263

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

(12) Kentwood Volunteer Fire Department - Revenues

2% Fire Insurance Tax

The Town maintains an active certified volunteer fire department as defined by Louisiana R.S. 22:1580 and is eligible and receives a pro-rata share of the fire insurance tax collected by the state. The amounts received by the fire department are based on the population in the Town and unincorporated area that it serves. In accordance with the Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" the active volunteer fire department as the Town shall direct.

Maintenance Allowance From Rural Fire District #2 of Tangipahoa Parish

The fire department receives a quarterly allowance from the Tangipahoa Parish Council funded through a property tax millage on assessed property located outside the incorporated area of the Town but within the service area of the Kentwood Volunteer Fire Department. These funds are to be used to help maintain equipment and supplies of the department.

The activity of this department is reported in the Special Revenue Funds section of this financial report.

(13) Kentwood Municipal Building

On September 15, 1998, the Town of Kentwood signed a lease, with an option to sell, with a boat manufacturer for a term of three years commencing September 15, 1998, and terminating September 14, 2001, with an option to extend the lease for six successive, separate and additional periods of five years each. The rental price for the first term of the lease was \$2,170 per month. The company agreed to maintain and to pay premiums for liability insurance with a minimum combined single limit for bodily injury and property damage of not less than \$500,000 with the Town of Kentwood named as an additional insured under this policy. The company also agreed to maintain and pay premiums for fire and casualty insurance for the benefit of the Town of Kentwood in the amount of not less than \$500,000.

(14) HUD Section 8 Housing Assistance Payment Program

On November 1, 1978, the Town of Kentwood, acting as the Public Housing Agency (PHA) passed a resolution authorizing execution of an annual contributions contract under the Section 8 Housing Assistance Payments Program with the U.S. Department of Housing and Urban Development.

For the fiscal year ended December 31, 1998, the Town's PHA was authorized for fifty-five (55) housing units with a maximum HUD contribution of \$183,645. Only \$120,423 was required.

The Housing Assistance Payments Program provides rental subsidies for qualified low and very low income families who reside within the Town's corporate limits. The Town's Public Housing Agency administers the program.

The HUD Section 8 Housing Assistance Payments Program is reported in the Special Revenue Fund section of this financial report.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
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(15) Pension Plan

Substantially all employees of the Town of Kentwood are members of the following statewide retirement Municipal employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana(System)

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 per cent of their final-average monthly salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 per cent of final-average salary. Final average salary is the employee's average salary over 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 2.75 percent of annual covered payroll. Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each municipality, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ended December 31, 1998, 1997, and 1996 were \$6,379, \$5,544 and \$6,087, respectively, equal to the required contributions for each year.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
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December 31, 1998

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

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

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town's contributions to the System for the years ending December 31, 1998, 1997, and 1996, were \$7,602, \$7,957 and \$5,612, respectively, equal to the required contributions for each year.

C. Firefighters Retirement System of Louisiana

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

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Firefighters' Retirement System Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (504) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town's contributions to the System for the years ending December 31, 1998, 1997, and 1996, were \$1,536, \$1,533, and \$1,451, respectively, equal to the required contributions for each year.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 1998

(16) Contingency

On March 6, 1992, a corporation, engaged to sandblast and paint a water tank, filed suits against the Town and its engineer for damages as a result of discontinuance of the project. Once the repair work began, it was discovered that the tank was structurally unsound. Based on these discoveries, the Town ordered the work and contract terminated. The corporation in its suit sought damages for losses it claims to have suffered from being unable to complete its awarded contract. In May 1995, a 19th Judicial District Judge rendered a judgement against the Town for the remaining contract balance of \$34,021, with interest and all costs. No liability for this judgement has been recorded in the Town's financial statements, since no appropriation to fund the judgement has been made.

(17) Litigation

There is no outstanding litigation as of December 31, 1998.

(18) Construction Commitment

On December 19, 1996, the Town was chosen as a recipient of water improvements funds under FY 1996 Louisiana Community Development Block Grant (LCDBG) Program. The Office of Community Development within the Division of Administration awarded a grant of \$599,700 for the project. As of December 31, 1998, the Town has completed the LCDBG Program.

(19) Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Town of Kentwood's operations as early as fiscal year 1999.

The Town of Kentwood has performed a preliminary inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue, and has taken significant action to achieve year 2000 compliance. The Town has ordered the hardware and operating system components and software to achieve year 2000 compliance, and is in the process of implementation and testing. For accounting programs, software vendors are scheduled to be on-site at the end of July, 1999, to install final year 2000 modifications and to upgrade from "DOS" to a windows operating system. For the utility billing program, the software vendor has provided year 2000 updates, and the Town anticipates upgrading this program from "DOS" to windows before fiscal year end. In addition it is noted that for the utility system, year 2000 compliance may be affected by the operation of electrical components within utility plants.

Because of the unprecedented nature of the year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Town of Kentwood will be year 2000 ready, the council's remediation efforts will be successful in whole or in part, or that parties with whom the council does business will be year 2000 ready.

(20) Subsequent Events

On April 16, 1999, the Town was chosen as a recipient of sewer improvement funds under the FY 1999 Louisiana Community Development Block Grant (LCDBG) Program. The Office of Community Development within the Division of Administration has recommended a grant award of \$628,793 for the project.

**FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS**

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Town of Kentwood

Schedule 1

General Fund

BALANCE SHEET
December 31, 1998

	<u>1998</u>
ASSETS	
Cash	\$ 479,723
Cash - Restricted	782
Taxes Receivable:	
Ad Valorem Tax	23,400
Public Utility Franchise Tax	13,051
Due From Other Funds	9,043
Due From Other Governments:	
State of Louisiana Tobacco Tax	3,210
State of Louisiana Beer Tax	2,400
State of Louisiana Video Poker Tax	40,389
Tangipahoa Parish School Board Sales Tax	39,209
Other Receivables	<u>10,889</u>
Total Assets	<u>\$ 622,096</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 44,809
Other Accrued Expenses:	
Salaries, Wages, and Vacation Pay	37,974
Due To Other Funds	<u>1,090</u>
Total Liabilities	<u>83,873</u>
Fund Balance:	
Reserved for Economic Development	62,000
Unreserved - Undesignated	<u>476,223</u>
Total Fund Balance	<u>538,223</u>
Total Liabilities and Fund Balance	<u>\$ 622,096</u>

The accompanying notes are an integral part of this statement.

General Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes:			
Sales (Less Vendors' Comp.)	\$ 510,000	\$ 513,439	\$ 3,439
Ad Valorem	46,000	49,064	3,064
Public Utility Franchise	36,000	36,966	966
Chain Store	-	20	20
Licenses and Permits:			
Business Privilege and Insurance Licenses	98,000	103,177	5,177
Building Permits	2,300	2,314	14
Intergovernmental:			
Federal:			
Rural Development Grant	19,443	19,443	-
COPS Block Grant	13,500	7,386	(6,114)
Sweet Home Tourism Grant	7,500	7,001	(499)
Town Entrance Grant	2,500	1,425	(1,075)
State of Louisiana:			
Video Poker Tax	180,000	218,429	38,429
Tobacco Tax	12,800	12,839	39
Beer Tax	8,500	12,326	3,826
Commission on Law Enforcement	1,278	1,278	-
Local Governments			
Fire District No. 2	3,600	6,043	2,443
Charges for Services	19,350	20,150	800
Fines and Forfeits	16,000	16,126	126
Miscellaneous:			
Interest Earned	22,000	20,123	(1,877)
Sanitation Fees	93,000	96,391	3,391
Rent	9,600	11,586	1,986
Other	7,250	6,840	(410)
Total Revenues	<u>1,108,621</u>	<u>1,162,366</u>	<u>53,745</u>

Continued on the following page.

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 2
(Continued)

General Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures			
General and Administrative	\$ 306,590	\$ 290,434	\$ 16,156
Public Safety:			
Police Department	317,321	318,314	(993)
Fire Protection	130,166	133,393	(3,227)
Streets & Sanitation	353,900	351,373	2,527
Health:			
Dog Control	4,655	4,646	9
Cultural:			
Museum	8,355	8,503	(148)
Total Expenditures	<u>1,120,987</u>	<u>1,106,663</u>	<u>14,324</u>
Excess of Revenues (Expenditures)	<u>(12,366)</u>	<u>55,703</u>	<u>68,069</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	500	1,070	570
Operating Transfer In:			
Enterprise Fund	100,000	99,888	(112)
Operating Transfer Out:			
Special Revenue Fund	(10,000)	(10,310)	(310)
Total Other Financing Sources (Uses)	<u>90,500</u>	<u>90,648</u>	<u>148</u>
Excess of Revenues and Other Financing Sources Over Expenditures and other Financing Uses	78,134	146,351	68,217
Fund Balance, Beginning of Year	<u>391,872</u>	<u>391,872</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 470,006</u>	<u>\$ 538,223</u>	<u>\$ 68,217</u>

(Concluded)

The accompanying notes are an integral part of this statement.

General Fund
SCHEDULE OF EXPENDITURES,
COMPARED TO BUDGET (GAAP BASIS)
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
General and Administrative			
Salaries - Mayor and Aldermen	\$ 23,040	\$ 23,040	\$ -
Salaries - Clerical	63,500	60,207	3,293
Salaries - Janitorial	10,500	10,360	140
Payroll Tax (all General Fund Departments)	6,850	6,928	(78)
Municipal Employees Retirement Expense	2,590	2,542	48
Hospitalization Insurance (all General Fund Departments)	23,700	22,000	1,700
Workman's Compensation	2,375	1,419	956
Mayor's Expense	2,000	1,865	135
Officials' Travel	2,000	1,636	364
City Hall & Civic Center Utilities and Telephone	17,500	17,484	16
Senior Citizens Building Utilities	4,200	4,101	99
Martin Luther King Park Utilities	2,200	2,241	(41)
Health Unit Utilities	2,500	2,510	(10)
Industrial Building Utilities	4,400	4,629	(229)
Museum Utilities	2,000	1,979	21
City Hall & Civic Center Maintenance	7,800	7,435	365
Senior Citizens Building Maintenance	1,000	780	220
Martin Luther King Park Maintenance	300	296	4
Health Unit Maintenance	100	89	11
Industrial Building Maintenance	11,000	10,693	307
Museum Maintenance	4,500	651	3,849
Sweet Home Renovation	8,800	7,282	1,518
Meeting Expense	400	398	2
Professional Services	16,000	10,845	5,155
Computer Expense	2,500	2,519	(19)
Official Journal and Other Advertising	2,000	1,883	117
Office Supplies & Postage	8,000	8,616	(616)
Insurance (all General Fund Departments)	29,290	27,126	2,164
Uniforms Expense	2,000	2,187	(187)
Dues & Subscriptions	2,200	3,118	(918)
Assessor Tax Roll	1,625	1,625	-
Coroner's Fees	2,000	2,014	(14)
Promotion Expense	2,500	2,133	367
Community Development	2,000	986	1,014
Town Entrance Sign	1,200	1,200	-
Shared Cost of Public Service Program	3,120	3,398	(278)
Zoning Committee - Per Diem	400	140	260
Miscellaneous	6,000	6,575	(575)
Capital Outlay - Purchase of Fixed Assets	22,500	25,504	(3,004)
Total General & Administrative	<u>306,590</u>	<u>290,434</u>	<u>16,156</u>

Continued on the following page.

The accompanying notes are an integral part of this statement.

General Fund
**SCHEDULE OF EXPENDITURES,
 COMPARED TO BUDGET (GAAP BASIS)**
 Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Public Safety			
Police Department:			
Salaries - Chief	\$ 28,000	\$ 28,178	\$ (178)
Salaries - Deputies	154,128	150,857	3,271
Payroll Taxes	14,300	14,525	(225)
Police Retirement Contributions	7,000	7,602	(602)
Health Insurance	35,000	39,070	(4,070)
Workman's Compensation	14,500	13,894	606
Office Expense	1,500	1,499	1
Computer Expense	1,500	1,533	(33)
Telephone	4,200	4,192	8
Dues & Subscriptions	450	440	10
Auto - Fuel	14,000	13,438	562
Auto - Repairs & Maintenance	10,000	10,043	(43)
Housing Prisoners	1,100	1,164	(64)
Supplies	3,300	3,844	(544)
Uniforms	1,400	1,903	(503)
Schools & Seminars	2,500	3,051	(551)
Special Fund	500	500	-
Miscellaneous	500	446	54
Capital Outlay - Purchase of Fixed Assets	23,443	22,135	1,308
Total Police Department	<u>317,321</u>	<u>318,314</u>	<u>(993)</u>
Fire Protection:			
Firemen Salaries	68,500	68,781	(281)
Payroll Taxes	4,990	5,440	(450)
Firemen Retirement Contributions	1,600	1,536	64
Health Insurance	12,400	12,964	(564)
Workman's Compensation	6,500	6,412	88
Telephone	3,400	3,558	(158)
Computer Expense	500	694	(194)
Truck - Fuel	2,300	2,289	11
Truck - Repairs & Maintenance	4,000	6,520	(2,520)
Miscellaneous	1,800	1,022	778
Debt Service - Principal	22,933	22,933	-
Debt Service - Interest	1,243	1,244	(1)
Capital Outlay - Purchase of Fixed Assets	-	-	-
Total Fire Department	<u>130,166</u>	<u>133,393</u>	<u>(3,227)</u>

Continued on the following page.

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 3
(Continued)

General Fund
SCHEDULE OF EXPENDITURES,
COMPARED TO BUDGET (GAAP BASIS)
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Streets and Sanitation			
Salaries and Wages	\$ 24,700	\$ 25,869	\$ (1,169)
Payroll Taxes	1,775	1,959	(184)
Retirement Contributions	125	171	(46)
Health Insurance	1,000	551	449
Workman's Compensation	5,500	5,388	112
Waste Management	210,000	208,621	1,379
Street Materials & Supplies	4,000	4,616	(616)
Computer Expense	2,000	3,191	(1,191)
Equipment Fuel	3,000	2,700	300
Repairs & Maintenance	6,600	6,657	(57)
Uniforms	500	535	(35)
Miscellaneous	1,000	1,974	(974)
Street and Traffic Lights	35,000	34,067	933
Tree Planting Program	20,000	17,600	2,400
Maintenance Contract	14,000	13,992	8
Parish Maintenance Contract	4,000	3,168	832
Cemetery Utilities	-	80	(80)
Cemetery Miscellaneous	100	101	(1)
Cemetery Maintenance Contract	13,500	13,500	-
Street & Cemetery Capital Outlay	7,100	6,633	467
Total Streets and Sanitation	<u>353,900</u>	<u>351,373</u>	<u>2,527</u>
Health			
Dog Control:			
Salaries	3,500	3,551	(51)
Payroll Taxes	280	271	9
Workman's Compensation	75	99	(24)
Other Expenses	800	725	75
Total Health	<u>4,655</u>	<u>4,646</u>	<u>9</u>
Cultural			
Museum:			
Salaries	7,500	7,865	(365)
Payroll Taxes	805	582	223
Workman's Compensation	50	56	(6)
Total Health	<u>8,355</u>	<u>8,503</u>	<u>(148)</u>
Total Expenditures (Concluded)	<u>\$ 1,120,987</u>	<u>\$ 1,106,663</u>	<u>\$ 14,324</u>

The accompanying notes are an integral part of this statement.

SPECIAL REVENUE FUNDS

Public Housing Fund - To account for the Town's Housing Fund's administration of its contract with HUD under the Section 8 Housing Assistance Payments that provides rental subsidies for qualified low and very low income families who reside within the Town's corporate limits.

Kentwood Volunteer Fire Department - To account for the receipt and use of 2% fire insurance tax as defined by Louisiana R.S.22:1580 and a maintenance allowance from Rural Fire District #2 of Tangipahoa Parish.

Town of Kentwood

Schedule 4

Special Revenue Funds

COMBINING BALANCE SHEET
December 31, 1998

	Public Housing Sec. 8	Kentwood Volunteer Fire Department	Total
Assets			
Cash	\$ 32,999	\$ 308,927	\$ 341,926
Due From Other Funds	-	1,090	1,090
Due From Other Governments	-	39,616	39,616
Equipment	10,741	-	10,741
Other	-	35	35
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 43,740</u>	<u>\$ 349,668</u>	<u>\$ 393,408</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ 4,433	\$ 4,433
Due to Other Funds	3,000	6,043	9,043
Due to HUD	7,725	-	7,725
Deferred Revenue	12,304	-	12,304
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>23,029</u>	<u>10,476</u>	<u>33,505</u>
Fund Balance:			
Unreserved - Undesignated	<u>20,711</u>	<u>339,192</u>	<u>359,903</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 43,740</u>	<u>\$ 349,668</u>	<u>\$ 393,408</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 5

Special Revenue Funds
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES**
 Year Ended December 31, 1998

	Public Housing Sec. 8	Kentwood Volunteer Fire Department	Total
Revenues			
Intergovernmental	\$ 120,423	\$ 175,178	\$ 295,601
Interest	1,223	4,769	5,992
Total Revenues	<u>121,646</u>	<u>179,947</u>	<u>301,593</u>
Expenditures			
General and Administrative:			
Administrative Salaries	11,220	-	11,220
Payroll Taxes	978	-	978
Office Expense	868	-	868
Computer Expense	-	-	-
Accounting & Auditing Fee	2,760	-	2,760
Insurance	-	-	-
Housing Assistance Payments	104,582	-	104,582
Public Safety:			
Current	-	69,369	69,369
Capital Outlay	-	17,160	17,160
Total Expenditures	<u>120,408</u>	<u>86,529</u>	<u>206,937</u>
Excess of Revenues (Expenditures)	1,238	93,418	94,656
Other Financing Sources (Uses)			
Operating Transfer In	-	10,310	10,310
Excess of Revenues & Other Financing Sources Over Expenditures	1,238	103,728	104,966
Fund Balance, Beginning of Year	<u>19,473</u>	<u>235,464</u>	<u>254,937</u>
Fund Balance, End of Year	<u>\$ 20,711</u>	<u>\$ 339,192</u>	<u>\$ 359,903</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood
Special Revenue Fund
Public Housing Fund
HUD Section 8 Housing Assistance Payments Program

Schedule 6

BALANCE SHEET
December 31, 1998

	1998
Assets	
Cash	\$ 32,999
Equipment	10,741
Total Assets	\$ 43,740
Liabilities and Fund Balance	
Liabilities:	
Deferred Revenue	\$ 12,304
Due to General Fund	3,000
Due to HUD	7,725
Total Liabilities	23,029
Fund Balance:	
Unreserved - Undesignated	20,711
Total Liabilities and Fund Balance	\$ 43,740

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 7

Special Revenue Fund
Public Housing Fund

HUD Section 8 Housing Assistance Payments Program
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Intergovernmental:			
Contributions Received From HUD	\$ 150,473	\$ 120,423	\$ (30,050)
Miscellaneous-Interest Earned	1,000	1,223	223
Total Revenues	<u>151,473</u>	<u>121,646</u>	<u>(29,827)</u>
Expenditures			
General and Administrative:			
Administrative Salaries	12,000	11,220	780
Payroll Taxes	1,300	978	322
Office Expense	2,000	868	1,132
Computer Expense	1,500	1,500	-
Accounting & Audit Fee	7,000	1,260	5,740
Insurance	133	-	133
Housing Assistance Payments	132,984	104,582	28,402
Total Expenditures	<u>156,917</u>	<u>120,408</u>	<u>36,509</u>
Excess of Revenues (Expenditures)	(5,444)	1,238	6,682
Fund Balance, Beginning of Year	<u>19,473</u>	<u>19,473</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 14,029</u>	<u>\$ 20,711</u>	<u>\$ 6,682</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood
Special Revenue Fund
Kentwood Volunteer Fire Department

Schedule 8

BALANCE SHEET
December 31, 1998

	<u>1998</u>
Assets	
Cash	\$ 308,927
Due From Other Funds	1,090
Due From Other Governments:	
Tangipahoa Parish Council -	
Maintenance Allowance	39,616
Other Assets	<u>35</u>
Total Assets	\$ <u>349,668</u>
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	\$ 4,433
Due to Other Funds	<u>6,043</u>
Total Liabilities	<u>10,476</u>
Fund Balance:	
Unreserved - Undesignated	<u>339,192</u>
Total Liabilities and Fund Balance	\$ <u>349,668</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 9

Special Revenue Fund
 Kentwood Volunteer Fire Department
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Intergovernmental:			
Fire Insurance Tax -			
Town of Kentwood	\$ 5,000	\$ 5,140	\$ 140
Tangipahoa Parish	9,800	9,808	8
St. Helena Parish	2,300	2,329	29
From Rural Fire Maintenance Allowance			
District #2 of Tangipahoa Parish	149,850	157,901	8,051
Miscellaneous - Interest Earned	4,300	4,769	469
Other Revenue	-	-	-
Total Revenues	<u>171,250</u>	<u>179,947</u>	<u>8,697</u>
Expenditures			
Current:			
Salaries - Chief	3,600	3,230	370
Salaries - Firemen	-	2,813	(2,813)
Firemen Expense	23,000	22,227	773
Small Tools, Equipment, and Hoses	12,000	11,009	991
Update	-	170	(170)
Office Supplies	800	703	97
Gas & Oil Station #2	1,100	978	122
Dues and Subscriptions	650	465	185
Professional Services	1,700	1,379	321
Insurance	26,000	15,154	10,846
Repairs	15,000	8,258	6,742
Supplies	1,200	1,116	84
Training and Tuition	300	295	5
Utilities and Telephone	1,000	957	43
Miscellaneous	650	615	35
Total Current Expenditures	<u>87,000</u>	<u>69,369</u>	<u>17,631</u>
Capital Outlays:			
Equipment	<u>28,500</u>	<u>17,160</u>	<u>11,340</u>
Total Capital Outlays	<u>28,500</u>	<u>17,160</u>	<u>11,340</u>
Total Expenditures	<u>115,500</u>	<u>86,529</u>	<u>28,971</u>

Continued on the following page

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 9
(Continued)

Special Revenue Fund
Kentwood Volunteer Fire Department
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)
	Budget	Actual	
Excess of Revenues (Expenditures)	\$ 55,750	\$ 93,418	\$ 37,668
Other Financing Sources (Uses)			
Operating Transfer In - General Fund	10,000	10,310	310
Total Other Financing Sources (Uses)	10,000	10,310	310
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	65,750	103,728	37,978
Fund Balance, Beginning of Year	235,464	235,464	-
Fund Balance, End of Year	\$ 301,214	\$ 339,192	\$ 37,978

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND

Water, Sewer and Gas Fund - To account for the provision of water, sewer, and natural gas services to customers and residents of the town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Town of Kentwood
Enterprise Fund
Water, Sewer and Gas Departments
BALANCE SHEET
December 31, 1998

Schedule 10

	1998
ASSETS	
Current Assets:	
Cash	\$ 440,016
Receivables:	
Accounts (Net of Allowance for Uncollectible of \$600)	138,840
Due From Other Funds	-
Inventory	13,838
Total Current Assets	592,694
Restricted Assets:	
RUS Bond Reserve - Cash	17,991
RUS Bond Contingency - Cash	103,271
Contingency - Cash	20,634
Customers' Deposits - Cash	72,596
Total Restricted Assets	214,492
Property, Plant and Equipment:	
Land	11,000
Building	35,898
Water System	1,579,315
Gas System	788,250
Sewer System	2,886,086
Computer System	8,193
Equipment	165,556
Total Property, Plant and Equipment	5,474,298
Less: Accumulated Depreciation	(2,172,112)
Net Property, Plant and Equipment	3,302,186
Total Assets	\$ 4,109,372

Continued on the following page

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 10
(Continued)

Enterprise Fund
Water, Sewer and Gas Departments
BALANCE SHEET
December 31, 1998

LIABILITIES AND FUND EQUITY

	1998
Liabilities:	
Current Liabilities (Payable From Current Assets):	
Accounts Payable	\$ 49,495
Accrued Vacation Payable	6,475
Accrued Salaries Payable	7,740
Retainage Payable	10,261
Lease Payable	-
	73,971
Current Liabilities (Payable From Restricted Assets):	
Customers' Deposits	72,313
Revenue Bond Payable - RUS	10,341
Accrued Interest Payable	3,547
	86,201
Long-Term Liabilities:	
Revenue Bonds Payable - RUS	851,206
Leases Payable	-
	851,206
Total Liabilities	1,011,378
Fund Equity:	
Contributed Capital	2,871,987
Less: Accumulated Amortization	(771,724)
	2,100,263
Retained Earnings:	
Reserve for Contingencies	123,905
Reserve for Bond Payments	17,991
Unreserved	855,835
	997,731
Total Fund Equity	3,097,994
Total Liabilities and Fund Equity	\$ 4,109,372

(Concluded)

The accompanying notes are an integral part of this statement.

Town of Kentwood
Enterprise Fund
Water, Sewer and Gas Departments
SCHEDULE OF CHANGES IN UNRESERVED RETAINED EARNINGS
December 31, 1998

Schedule 11

	<u>1998</u>
Unreserved Retained Earnings, Beginning of Year	\$ <u>884,825</u>
Net Income (Loss) for the Year:	
Water Department	(17,265)
Sewer Department	(23,129)
Gas Department	<u>(28,766)</u>
Combined Operations	(69,160)
Add: Amortization on Contributed Capital	76,440
Less: Appropriations for RUS Reserves	<u>(36,270)</u>
Unreserved Retained Earnings, End of Year	\$ <u><u>855,835</u></u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 12

Enterprise Fund
Water Department
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Charges for Services:			
Water Sales	\$ 228,000	\$ 225,203	\$ (2,797)
Service Connections	1,500	1,610	110
Delinquent Charges	11,000	11,165	165
Other Revenues	100	94	(6)
Total Operating Revenues	<u>240,600</u>	<u>238,072</u>	<u>(2,528)</u>
Operating Expenses			
Salaries and Wages	56,000	57,493	(1,493)
Payroll Taxes	4,300	4,171	129
Municipal Employees' Retirement Expense	1,400	1,419	(19)
Health Insurance	7,400	7,146	254
Workers' Comp. Insurance	3,240	3,190	50
Office Expense	1,500	3,303	(1,803)
Computer Expense	900	1,033	(133)
Professional Services	7,000	5,075	1,925
Repairs and Maintenance	28,000	27,285	715
Equipment Fuel	2,800	2,832	(32)
Equipment Repairs & Maintenance	4,300	4,278	22
Insurance	6,000	5,872	128
Pump Electricity	29,000	28,416	584
Cash Short (Over)	200	(293)	493
Miscellaneous	3,500	3,125	375
Uniforms	1,000	985	15
Water Treatment Supplies	15,000	14,929	71
Depreciation	40,000	33,773	6,227
Total Operating Expenses	<u>211,540</u>	<u>204,032</u>	<u>7,508</u>
Net Operating Income	<u>29,060</u>	<u>34,040</u>	<u>4,980</u>
Nonoperating Revenues (Expenses)			
Sale of Fixed Assets	-	-	-
Interest Expense	(300)	(19)	281
Bad Debt Expense	(5,000)	(3,398)	1,602
Total Nonoperating Revenues (Expenses)	<u>(5,300)</u>	<u>(3,417)</u>	<u>1,883</u>
Net Income Before Operating Transfers	23,760	30,623	6,863
Operating Transfer to General Fund	<u>(48,000)</u>	<u>(47,888)</u>	<u>112</u>
Net Income (Loss)	<u>\$ (24,240)</u>	<u>\$ (17,265)</u>	<u>\$ 6,975</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 13

Enterprise Fund
Sewer DepartmentSCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Charges for Services:			
Sewer Charges	\$ 213,000	\$ 209,330	\$ (3,670)
Total Operating Revenues	<u>213,000</u>	<u>209,330</u>	<u>(3,670)</u>
Operating Expenses			
Salaries and Wages	11,000	10,886	114
Payroll Taxes	710	806	(96)
Municipal Employees' Retirement Expense	350	335	15
Health Insurance	1,600	1,492	108
Workers' Comp. Insurance	1,000	925	75
Repairs and Maintenance	14,000	13,332	668
Electricity	32,000	30,347	1,653
Disposal	7,500	6,695	805
Maintenance Contract	13,200	13,200	-
Office & Computer	2,500	4,077	(1,577)
Equipment Fuel	900	987	(87)
Equipment Repairs	1,000	1,098	(98)
Analysis Fee	3,450	3,135	315
Insurance	3,100	3,068	32
Miscellaneous	2,000	1,678	322
Professional Services	6,000	5,775	225
Uniforms	500	360	140
Depreciation	120,000	121,156	(1,156)
Total Operating Expenses	<u>220,810</u>	<u>219,352</u>	<u>1,458</u>
Net Operating Income (Loss)	<u>(7,810)</u>	<u>(10,022)</u>	<u>(2,212)</u>
Nonoperating Revenues (Expenses)			
Interest Income	24,800	28,180	3,380
Bad Debt Recovery	2,000	2,034	34
Interest Expense	(38,300)	(43,321)	(5,021)
Total Nonoperating Revenues (Expenses)	<u>(11,500)</u>	<u>(13,107)</u>	<u>(1,607)</u>
Net Income (Loss)	<u>\$ (19,310)</u>	<u>\$ (23,129)</u>	<u>\$ (3,819)</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 14

Enterprise Fund
Gas DepartmentSCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended December 31, 1998

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Gas Sales	\$ 382,000	\$ 379,918	\$ (2,082)
Cost of Gas Sales	(192,500)	(181,092)	11,408
Gross Profit on Gas Sales	189,500	198,826	9,326
Reconnect Fees	300	300	-
Penalties	1,000	9,920	8,920
Other Revenues	375	293	(82)
Total Operating Revenues	<u>191,175</u>	<u>209,339</u>	<u>18,164</u>
Operating Expenses			
Salaries and Wages	72,000	72,047	(47)
Payroll Taxes	5,300	5,197	103
Municipal Employees' Retirement Expense	1,900	1,895	5
Health Insurance	13,000	13,075	(75)
Workers' Comp. Insurance	2,400	2,457	(57)
Office Expense	2,200	3,523	(1,323)
Computer Expense	1,000	1,032	(32)
Professional Services	8,000	3,675	4,325
Repairs and Maintenance	30,000	27,304	2,696
Equipment Fuel	2,000	2,032	(32)
Equipment Repairs & Maintenance	2,500	2,755	(255)
Cathodic Protection	11,000	12,841	(1,841)
Gas Leak Survey	2,000	1,600	400
Odor Inspection	500	504	(4)
Uniforms	850	988	(138)
Insurance	9,000	8,801	199
DOT Drug Testing	900	792	108
Miscellaneous	3,100	2,956	144
Gas Meter Reading	4,500	4,612	(112)
Depreciation	20,000	14,602	5,398
Total Operating Expenses	<u>192,150</u>	<u>182,688</u>	<u>9,462</u>
Net Operating Income (Loss)	<u>(975)</u>	<u>26,651</u>	<u>27,626</u>
Nonoperating Revenues (Expenses)			
Interest Expense	(300)	(19)	281
Bad Debt Expense	(2,000)	(3,398)	(1,398)
Total Nonoperating Revenues (Expenses)	<u>(2,300)</u>	<u>(3,417)</u>	<u>(1,117)</u>
Net Income (Loss) Before Operating Transfers	<u>(3,275)</u>	<u>23,234</u>	<u>26,509</u>
Operating Transfer to General Fund	<u>(52,000)</u>	<u>(52,000)</u>	<u>-</u>
Net Income (Loss)	<u>\$ (55,275)</u>	<u>\$ (28,766)</u>	<u>\$ 26,509</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 15

Enterprise Fund
Water, Sewer and Gas Departments
**SCHEDULE OF CASH FLOWS-
PROPRIETARY FUND TYPE**
Year Ended December 31, 1998

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 50,669
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	\$ 169,531
Change in accounts receivable	36,220
Change in due from others	9,293
Change in inventory	(10,286)
Change in accounts payable	4,067
Change in accrued payables	658
Change in customer deposits payable	3,667
Change in accrued interest payable	<u>(34)</u>
Total adjustments	<u>213,116</u>
Net cash provided by operating activities	263,785
Cash flows from capital and related financing activities:	
Interest income	28,180
Repayment of RUS bonds	(9,848)
Repayment of lease payable	(15,257)
Payment for capital acquisitions	(611,461)
Interest paid	(43,359)
Capital contributions	<u>599,700</u>
Net cash used for capital and related financing activities	(52,045)
Cash flows from noncapital financing activities:	
Operating transfers to other funds	(99,888)
Sale of Fixed Assets	-
Bad debt recoveries	2,034
Bad debt expense	<u>(6,796)</u>
Net cash used from noncapital financing activities	<u>(104,650)</u>
Net increase in cash and cash equivalents	107,090
Cash and cash equivalents, beginning of year	<u>547,418</u>
Cash and cash equivalents, end of year	<u>\$ 654,508</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 16

Enterprise Fund
 Water and Gas Department
 SCHEDULE OF CHANGES IN ASSETS RESTRICTED FOR
 USDA RURAL DEVELOPMENT REVENUE BOND DEBT SERVICE
 Year Ended December 31, 1998

	<u>Reserve</u>	<u>Contingency</u>	<u>Total</u>
Cash Balance, January 1, 1998	\$ 14,930	\$ 17,178	\$ 32,108
Cash Receipts:			
Transfers From			
Operating Account	3,061	86,093	89,154
Cash Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balance, December 31, 1998	\$ <u>17,991</u>	\$ <u>103,271</u>	\$ <u>121,262</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 17

Enterprise Fund
Gas Department
SCHEDULE OF GAS SALES AND PURCHASES
Year Ended December 31, 1998

	<u>12/31/98</u>	<u>12/31/97</u>	<u>12/31/96</u>	<u>12/31/95</u>
Gas Sales				
Volume (M.C.F.)	50,887	58,610	62,504	60,359
Dollar Amount	\$ 382,809	\$ 455,728	\$ 436,312	\$ 399,885
Gas Purchases				
Volume (M.C.F.)	54,757	63,950	65,666	66,843
Dollar Amount	\$ <u>191,377</u>	\$ <u>208,043</u>	\$ <u>218,829</u>	\$ <u>159,631</u>
Gross Profit	\$ <u>191,432</u>	\$ <u>247,685</u>	\$ <u>217,483</u>	\$ <u>240,254</u>
Percent of Sales	50.01%	54.35%	49.85%	60.08%
Unaccounted for Gas Purchases				
Volume (M.C.F.)	3,870	5,340	3,162	6,484
Average Cost of Unaccounted for Gas	\$ 13,526	\$ 17,355	\$ 10,529	\$ 15,497
Percent of Purchases	7.07%	8.34%	4.81%	9.71%
Number of Customers at Year End:				
In Service-Industrial	1	1	1	1
In Service-Other	<u>549</u>	<u>567</u>	<u>555</u>	<u>568</u>
Total	<u>550</u>	<u>568</u>	<u>556</u>	<u>569</u>
Average Sales for Period (Excludes Industrial Sales)				
Volume (M.C.F.)	81	81	87	81
Dollar Amount	\$ <u>578</u>	\$ <u>686</u>	\$ <u>679</u>	\$ <u>602</u>
Amounts Per M.C.F.				
Gas Sales-Industrial	\$ 5.45	\$ 5.26	\$ 4.25	\$ 3.96
Gas Sales-Other	<u>8.16</u>	<u>8.47</u>	<u>7.76</u>	<u>7.47</u>
Gas Sales Combined	\$ 7.52	\$ 7.78	\$ 6.98	\$ 6.63
Gas Purchases	<u>(3.50)</u>	<u>(3.25)</u>	<u>(3.33)</u>	<u>(2.39)</u>
	4.02	4.53	3.65	4.24
Unaccounted for Gas	<u>(0.27)</u>	<u>(0.27)</u>	<u>(0.16)</u>	<u>(0.23)</u>
Gross Profit per M.C.F. Sold	\$ <u>3.75</u>	\$ <u>4.26</u>	\$ <u>3.49</u>	\$ <u>4.01</u>

The accompanying notes are an integral part of this statement.

SCHEDULE OF INSURANCE
Year Ended December 31, 1998

<u>Company Name</u>	<u>Coverage Dates</u>	<u>Description</u>
Western Surety Company	11/01/98 - 11/01/99 11/01/97 - 11/01/98	\$150,000 - Bond - Bobby Gill, Mayor
Western Surety Company	7/01/98 - 7/01/99 7/01/97 - 7/01/98	\$150,000 - Bond - Julia Forrest, Clerk
Western Surety Company	6/20/98 - 6/20/99 6/20/97 - 6/20/98	\$310,000 - Bond - Position Schedule
Titan Insurance Company	8/24/98 - 8/24/99 8/24/97 - 8/24/98	\$1,318,500 Commercial Property Policy
National Casualty Company	2/01/98 - 2/01/99 2/01/97 - 2/01/98	\$500,000 Commercial Auto Liability
National Casualty Company	2/01/98 - 2/01/99 2/01/97 - 2/01/98	\$500,000 Public Officials Liability
National Casualty Company	2/01/98 - 2/01/99 2/01/97 - 2/01/98	\$500,000 Comprehensive Law Enforcement Liability
Scottsdale Insurance Company	2/01/98 - 2/01/99 2/01/97 - 2/01/98	\$1,000,000 General Aggregate, \$1,000,000 Completed Operations, \$500,000 Occurrence, \$500,000 Personal Injury
Ranger Insurance Company	1/01/98 - 1/01/99 1/01/97 - 1/01/98	\$2,000,000 Aggregate \$2,000,000 Products - Completed Operations \$1,000,000 Each Occurrence Limit \$50,000 Fire Damage Limit \$5,000 Medical Expense-Any one person General Liability - Natural Gas Department
Louisiana Workers' Compensation Corporation	10/04/98 - 10/04/99 10/04/97 - 10/04/98	\$100,000 Each Accident \$500,000 Policy Limit \$100,000 Each Employee

The accompanying notes are an integral part of these statements.

**Schedule of Compensation Paid Board Members
For the Year Ended December 31, 1998**

The Schedule of Compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

	<u>FYE 12/31/98</u>
Bobby Gill, Mayor P O Box 559 Kentwood, LA 70444 (504) 229-3150	\$ 9,840
James K. Allen, Council Member P O Box 313 Kentwood, LA 70444 (504) 229-8360	2,640
Kathleen Bryan, Council Member 504 Ave. A Kentwood, LA 70444 (504) 229-2535	2,640
Dr. Carlton S. Faller, Council Member 309 Ave. A Kentwood, La 70444 (504) 229-3681	2,640
Ferrie Blackman, Council Member 710 Ave. K Kentwood, LA 70444 (504) 229-3005	2,640
Irma T. Gordon, Council Member 1607 13th Street Kentwood, LA 70444 (504) 229-5228	2,640
	<u>\$ 23,040</u>

All Terms Expire 12/31/2002.

The accompanying notes are an integral part of these statements.

Town of Kentwood

**Supplemental Information Schedules
For the Year Ended December 31, 1998**

Federally Assisted Programs

In accordance with Office of Management and Budget Circular A-133, a schedule of expenditures of federal awards, follow-up and corrective action taken on prior audit findings, and corrective action plan for current year audit findings are presented.

Town of Kentwood
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 1997

Schedule 20

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of HUD Direct Program:			
Community Development Block Grant/Small Cities	14.219	101-700108	\$ 503,109
Section 8 Rental Certificate Program	14.857	LA48-E206-003	<u>115,983</u>
Total U.S. Department of HUD			<u>619,092</u>
U.S. Department of Commerce			
Passed Through Louisiana Commission on Law Enforcement - Administration of Criminal Justice			
Louisiana Children's Network	11.522	TIAAP 22-60-96020	<u>320</u>
Total U. S. Department of Commerce			<u>320</u>
U.S. Department of Justice			
Local Law Enforcement Block Grants Program	16.592	96-LB-VX-3112	<u>7,816</u>
Total U.S. Department of Justice			<u>7,816</u>
Total Federal Awards			<u>\$ 627,228</u>

Note 1. Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of the Town and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2. Loans Outstanding

The Town had the following loan balance outstanding at December 31, 1998. This loan balance outstanding is not included in the schedule of expenditures of federal awards.

Cluster/Program Title	Federal CFDA Number	Amount Outstanding
U.S. Department of Agriculture - Rural Development - Rural Utilities Service	13.750	\$861,547

The accompanying notes are an integral part of this statement.

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 1998**

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

No Section I Findings in Prior Year.

Section II - Internal Control and Compliance Material to Federal Awards:

No Section II Findings in Prior Year.

Section III - Management Letter:

No Section III Findings in Prior Year.

**Corrective Action Plan for Current
Year Audit Findings
For the Year Ended December 31, 1998**

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

Reference Number: 98-C1

Description of Finding:

It was noted within Footnote 19 (Year 2000 Issue) of the *Notes to the Financial Statements*, that the Town of Kentwood has performed a preliminary inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue, and that significant action has been taken to achieve year 2000 compliance. This action consists of inventory of existing hardware and operating systems for required year 2000 changes, with implementation of the proposed changes currently in progress. For accounting programs, software vendors are scheduled to be on-site at the end of July, 1999, to install final year 2000 modifications and to upgrade from "DOS" to a windows operating system. For the utility billing program, the software vendor has provided year 2000 updates, and the Town anticipates upgrading this program from "DOS" to windows before fiscal year end. In addition it is noted that for the utility system, year 2000 compliance may be affected by the operation of electrical components within utility plants.

We recommend that the Town of Kentwood continue efforts to achieve year 2000 compliance, implementing any updates to accounting and utility billing programs as soon as possible, in order to allow adequate time for validation and testing.

Corrective Action Planned:

We will continue our efforts to achieve year 2000 compliance, and will, to the extent possible, implement the remaining changes in a timely manner to allow time for validation and testing of year 2000 system changes.

Anticipated Completion Date:

Year 2000 compliance actions are currently in progress and will continue through the end of the year 1999.

Name of Contact Person:

Julia Forrest
308 Avenue G
Kentwood, LA 70444

Section II - Internal Control and Compliance Material to Federal Awards:

No Section II Findings in Current Year.

Section III - Management Letter:

No Section III Findings in Current Year.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1998

I. Type of Report Issued on the Financial Statements.

A qualified opinion was issued on the financial statements for the Town of Kentwood, Louisiana. The opinion was qualified because of year 2000 disclosures, as required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, Disclosures about Year 2000 Issues, as amended by GASB Technical Bulletin 99-1.

II. Disclosure of Reportable Conditions in Internal Control.

Reportable conditions were disclosed by the audit of the financial statements of the Town as Reference Numbers 99-C1 within the Corrective Action Plan for Current Year Audit Findings.

III. Disclosure of noncompliance material to the financial statements.

There were no instances of noncompliance, material to the financial statements, disclosed by the audit of the financial statements of the Town, for the fiscal year ended December 31, 1998.

IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.

There were on Reportable Conditions for Major Programs for the Town, for the fiscal year ending December 31, 1998.

V. Type of Report Issued for Major Programs.

Unqualified.

VI. Disclosure of Audit Findings Required to be Reported under *S*____.510 *Audit Findings*.

There were on Reportable Conditions for Major Programs for the Town, for the fiscal year ending December 31, 1998.

VII. Identification of Major Programs.

The Major Program identified for the Town, for the fiscal year ending December 31, 1998, was CFDA # 14.219, U.S. Department of Housing and Urban Development, Community Development Block Grant/Small Cities Program.

VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" programs.

Expenditures of \$300,000.

IX. Statement as to Whether the Auditee qualified as Low-Risk Auditee under *S*____.530.

Yes. The Town, qualified as a low-risk auditee under the provisions of *S*____.530.

X. Findings which must be Reported in accordance with GAGAS.

There were no findings to be reported in accordance with GAGAS.

XI. Findings and Questioned Costs for Federal Awards.

There were no findings or questioned costs for the Town, for the fiscal year ended December 31, 1998.

BRUCE HARRELL & CO.
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MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

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

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

We have audited the financial statements of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 18, 1999, which was qualified because insufficient audit evidence exists to support the Town of Kentwood, Louisiana's disclosure with respect to the year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Kentwood, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Governmental Auditing Standards* which is described in the accompanying schedule of Corrective Action Plan for Current Year Audit Findings as item 98-C1.

Internal Control Over Financial Reporting

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

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

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This report is intended for the information of the management of the Town of Kentwood, the Legislative Auditors and the cognizant Federal Agency. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Town of Kentwood, Louisiana is a matter of public record.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 18, 1999

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

Compliance

We have audited the compliance of the Town of Kentwood, Louisiana with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998. The Town of Kentwood, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Kentwood, Louisiana's management. Our responsibility is to express an opinion on the Town of Kentwood, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kentwood, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Kentwood, Louisiana's compliance with those requirements.

In our opinion, the Town of Kentwood, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the Town of Kentwood, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Kentwood, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Legislative Auditor, and the Federal Cognizant Agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



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June 18, 1999