

Town of Kinder, Louisiana

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2020

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Oberlin, LA

Town of Kinder, Louisiana

TABLE OF CONTENTS

| | <u>Pages</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------|
| MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) | 4-11 |
| INDEPENDENT AUDITORS' REPORT | 12-13 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS) | |
| Statement of Net Position | 16 |
| Statement of Activities | 17 |
| FUND FINANCIAL STATEMENTS (FFS) | |
| Balance Sheet - Governmental Funds | 20 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 22 |
| Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 23 |
| Statement of Net Position - Proprietary Funds | 24 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds | 25 |
| Statement of Cash Flows - Proprietary Funds | 26 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 27-47 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| General Fund: | |
| Budgetary Comparison Schedule | 49 |
| Special Revenue Funds: | |
| DMV Fund: | |
| Budgetary Comparison Schedule | 50 |
| Gaming Fund: | |
| Budgetary Comparison Schedule | 51 |
| HUD Fund: | |
| Budgetary Comparison Schedule | 52 |
| Sales Tax Fund: | |
| Budgetary Comparison Schedule | 53 |
| General Fund: | |
| Departmental Expenditures - Budgetary Comparison Schedules | |
| General and Administrative | 54 |
| Street Department | 54 |
| Police Department | 55 |

Town of Kinder, Louisiana

TABLE OF CONTENTS-CONTINUED

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Schedule of Town's Proportionate Share of Net Pension Liability-MPERS | 56 |
| Schedule of Town's Contributions to MPERS | 57 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 58 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Schedule of Number of Utility Customers (Unaudited) | 60 |
| Schedule of Insurance in Force (Unaudited) | 61 |
| Schedule of Compensation Paid to Mayor and Council Members | 62 |
| Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer | 63 |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 64-65 |
| SCHEDULE OF FINDINGS AND RESPONSES | 66 |
| MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS AND RESPONSES (UNAUDITED) | 67 |
| SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS | 68 |

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Within this section of the Town of Kinder, Louisiana's annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$10,242,200 (net position) for the fiscal year reported.
- Total revenues of \$3,865,897 were exceeded by total expenses of \$4,008,336 which resulted in a current year deficit of \$142,439. In comparison, for the previous year ended June 30, 2019, the Town's total revenues of \$4,264,588 exceeded total expenses of \$4,075,962, yielding a surplus of \$188,626.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$7,237,662 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. In comparison, as of June 30, 2019, the Town's net capital assets were \$7,229,924.
 - (2) For the fiscal years ended June 30, 2020 and 2019, respectively, net position of \$3,401,858 and \$3,590,163 were restricted by constraints imposed from outside the Town such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position, representing the portion of net position available to maintain the Town's continuing obligations to citizens and creditors, amounted to deficits of \$397,320 and \$435,448 for the fiscal years ended June 30, 2020 and 2019, respectively.
- The Town's governmental funds reported a total ending fund balance of \$3,254,997 this year. This compares to the prior year ending fund balance of \$3,513,234, reflecting a decrease of \$258,237 during the current year. For the prior year ended June 30, 2019, a decrease of \$27,995 was reported in the total ending fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$38,695, or 2% of total General Fund expenditures and 2% of total General Fund revenues including other financing sources. In comparison, for the fiscal year ended June 30, 2019, unassigned fund balance for the General Fund was \$138,182, or 7% of total General Fund expenditures and 7% of total General Fund revenues including other financing sources.
- Overall, the Town's financial position deteriorated in the current year, but the Town continues to maintain a strong financial position. It is continuing to work to improve on this financial position. Much of the financial difficulties were caused by the coronavirus pandemic in the latter part of the fiscal year.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the Town's basic financial statements, which include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the Town's assets and deferred outflows of resources minus liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors such as diversification of the taxpayer base and the condition of Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by sales and ad valorem taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities principally include general government, public safety and streets. Business-type activities include the gas, water and sewer systems.

The government-wide financial statements are presented on pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 20 through 23 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The three Town proprietary funds are classified as enterprise funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The basic enterprise fund financial statements are presented on pages 24 through 26 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 27 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the management's discussion and analysis, budgetary comparison schedules for the general fund and the major special revenue funds, schedule of Town's proportionate share of net pension liability for the Municipal Police Employee Retirement System (MPERS), and the schedule of Town's contributions to the MPERS. The budgetary comparison schedules demonstrate compliance with the Town's adopted and final revised budgets. The required supplementary information and the notes to the required supplementary information can be found on pages 4 through 11 and 49 through 58 of this report.

Other supplementary information including the schedule of number of utility customers, the schedule of insurance in force, the schedule of compensation paid to the Mayor and Council members, and the schedule of compensation, benefits and other payments to the chief executive officer is presented on pages 60 through 63 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net position at fiscal year-end was \$10,242,200. The following table provides a summary of the Town's net position:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Percentage Total</u> |
|-------------------------------------------|------------------------------------|-------------------------------------|----------------------|-----------------------------|
| Assets: | | | | |
| Current assets | \$ 3,327,664 | \$ 812,956 | \$ 4,140,620 | 26% |
| Capital assets | <u>5,726,364</u> | <u>5,819,649</u> | <u>11,546,013</u> | <u>74%</u> |
| Total assets | <u>9,054,028</u> | <u>6,632,605</u> | <u>15,686,633</u> | <u>100%</u> |
| Deferred outflows of resources | <u>197,683</u> | <u>-</u> | <u>197,683</u> | <u>100%</u> |
| Liabilities: | | | | |
| Current liabilities | 408,939 | 103,136 | 512,075 | 9% |
| Long-term liabilities | <u>1,255,979</u> | <u>3,775,044</u> | <u>5,031,023</u> | <u>91%</u> |
| Total liabilities | <u>1,664,918</u> | <u>3,878,180</u> | <u>5,543,098</u> | <u>100%</u> |
| Deferred inflows of resources | <u>99,018</u> | <u>-</u> | <u>99,018</u> | <u>100%</u> |
| Net Position: | | | | |
| Investment in capital assets, net of debt | 5,049,092 | 2,188,570 | 7,237,662 | 71% |
| Restricted | 3,216,302 | 185,556 | 3,401,858 | 33 |
| Unrestricted | <u>(777,619)</u> | <u>380,299</u> | <u>(397,320)</u> | <u>(4)</u> |
| Total net position | <u>\$ 7,487,775</u> | <u>\$ 2,754,425</u> | <u>\$ 10,242,200</u> | <u>100%</u> |

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The Town continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 8.14 to 1 for governmental activities and 7.88 to 1 for business-type activities. This compares with the prior year's ratios of 4.65 to 1 and 6.22 to 1, respectively. For the Town overall, the current ratio is 8.09 to 1 while that same financial indicator was 4.84 to 1 for the fiscal year ended June 30, 2019. These ratios remain fairly strong.

The Town reported positive balances in net position for both governmental and business-type activities. For the fiscal years ended June 30, 2020 and 2019, respectively, net position increased (decreased) by \$22,591 and \$695,487 for governmental activities and by (\$165,030) and (\$486,861) for business-type activities. The Town's overall financial position deteriorated during the fiscal year ended in 2020.

Note that approximately 67% and 64% of the governmental activities' net position are tied up in capital assets as of June 30, 2020 and June 30, 2019, respectively. The Town uses these capital assets to provide services to its citizens. However, with business-type activities, the Town has invested approximately 79% and 84% of its net position in capital assets during the respective fiscal years ended June 30, 2020 and 2019. Capital assets in the business-type activities provide utility services, but they also generate revenues for this fund. For the respective fiscal years ended June 30, 2020 and 2019, 71% and 70% of the Town's total net position, net of debt, are included in capital assets.

The following table provides a summary of the Town's changes in net position:

| | Governmental Activities | Business-Type Activities | Total | Percentage Total |
|----------------------------|----------------------------|-----------------------------|-----------------------------|---------------------|
| Revenues: | | | | |
| Program: | | | | |
| Charges for services/fines | \$ 617,320 | \$ 1,322,182 | \$ 1,939,502 | 50% |
| Operating grants | 452,367 | 19,074 | 471,441 | 12 |
| Capital grants | 86,300 | - | 86,300 | 2 |
| General: | | | | |
| Taxes | 1,026,848 | - | 1,026,848 | 27 |
| Gaming | 171,014 | - | 171,014 | 5 |
| Intergovernmental | 7,683 | - | 7,683 | - |
| Interest | 50,648 | 1,094 | 51,742 | 1 |
| Miscellaneous | <u>111,367</u> | <u>-</u> | <u>111,367</u> | <u>3</u> |
| Total Revenues | 2,523,547 | 1,342,350 | 3,865,897 | <u>100%</u> |
| Program expenses: | | | | |
| General government | 692,182 | - | 692,182 | 17% |
| Public safety: | | | | |
| Police | 1,223,789 | - | 1,223,789 | 31 |
| Streets | 324,948 | - | 324,948 | 8 |
| Section 8 housing | 330,635 | - | 330,635 | 8 |
| Interest | 13,464 | 155,582 | 169,046 | 4 |
| Utility expenses | <u>-</u> | <u>1,267,736</u> | <u>1,267,736</u> | <u>32</u> |
| Total Expenses | <u>2,585,018</u> | <u>1,423,318</u> | <u>4,008,336</u> | <u>100%</u> |
| Excess (deficiency) | (61,471) | (80,968) | (142,439) | |
| Transfers | <u>84,062</u> | <u>(84,062)</u> | <u>-</u> | |
| Change in net position | 22,591 | (165,030) | (142,439) | |
| Beginning net position | <u>7,465,184</u> | <u>2,919,455</u> | <u>10,384,639</u> | |
| Ending net position | <u>\$ 7,487,775</u> | <u>\$ 2,754,425</u> | <u>\$ 10,242,200</u> | |

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

GOVERNMENTAL REVENUES

The Town is heavily reliant on sales taxes to support governmental operations. Sales taxes equal 29% of the revenues for governmental activities, as compared with 25% in the prior year. Also note that program revenues cover only 45% (58% in the year ended June 30, 2019) of governmental operating expenses. This means that the government's taxpayers and the Town's other general revenues fund 55% (42% in the prior fiscal year) of the governmental activities. As a result, the general economy and the local businesses have a major impact on the Town's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

For the fiscal years ended June 30, 2020 and 2019, respectively, police services comprised 31% and 30% of the Town's total expenses and 47% and 46% of the total governmental expenses.

This table presents the cost of each of the Town's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Town's taxpayers by each of these functions.

| | Governmental Activities | | | |
|----------------------------|-----------------------------------|-------------------------------------------|-----------------------------------|-------------------------------------------|
| | 2019 | | 2020 | |
| | <u>Total Cost of Services</u> | <u>Net Cost (Benefit) of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost (Benefit) of Services</u> |
| General government | \$ 780,650 | \$ 631,831 | \$ 692,182 | \$ 558,952 |
| Public safety: | | | | |
| Police | 1,209,242 | 577,960 | 1,223,789 | 561,944 |
| Streets | 298,060 | (116,120) | 324,948 | 288,194 |
| Section 8 Housing | 294,744 | (6,861) | 330,635 | 6,477 |
| Interest on long-term debt | 18,554 | 18,554 | 13,464 | 13,464 |
| Total | <u>\$ 2,601,250</u> | <u>\$ 1,105,364</u> | <u>\$ 2,585,018</u> | <u>\$ 1,429,031</u> |

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

Utility fund operating revenues decreased 8% from prior year figures, while operating expenses decreased 2%. In comparison, the fiscal year ended in 2019 reflected operating revenues for utility funds at 3% more than the previous year and operating expenses at 2% less than that the previous year. Within the total business-type activities of the Town, these activities reported a \$73,520 operating income compared to an operating income of \$136,418 for the prior year. However, after non-operating revenues and expenses, and operating transfers, the utility funds reported a loss of \$165,030, which compares with the overall fund loss of \$486,861 experienced in the year ended June 30, 2019.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,254,997 and \$3,513,234, for the fiscal years ended June 30, 2020 and 2019, respectively. Of these year-end totals, \$38,695 and \$138,182 were unassigned for the respective years, indicating availability for continuing Town service requirements. Legally restricted fund balances were \$3,216,302 and \$3,350,203 in the years ended June 30, 2020 and 2019, respectively.

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The total ending fund balances of governmental funds show a decrease of \$258,237. This compares with an decrease of \$27,995 experienced in the prior fiscal year ended June 30, 2019.

MAJOR GOVERNMENTAL FUNDS

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$167,860 in the current fiscal year, while in the fiscal year ended June 30, 2019, the fund balance increased by \$106,560. However, the reader needs to remember that the Town controls these differences by the amount of resources it transfers in from the Town's other funds.

The revenues show a decrease of \$11,901 or 1% less than the prior year, while in the fiscal year ended June 30, 2019, such revenues increased \$81,759 or 8% more than the preceding year. The expenditures side shows a decrease of \$81,250 or 4% less than the prior year. In comparison, the prior year expenditures increased by \$171,537, which was 9% more than the preceding fiscal year.

The General Fund's ending fund balance was \$112,775 representing the equivalent of 6% of its annual expenditures and 7% of its annual revenues including operating transfers.

The DMV Fund continues to maintain a moderate fund balance as revenues and expenditure in the fiscal year ended June 30, 2020 were 26% less than and 4% less than those in fiscal year ended June 30, 2019.

The HUD Fund, a major special revenue fund, continues to maintain a strong fund balance with revenues and expenditures in the fiscal year ended June 30, 2020 being 7% more than and 14% more than those in fiscal year ended June 30, 2019, respectively.

The Gaming Fund, a major special revenue fund, continues to maintain a strong fund balance with revenues in the fiscal year ended June 30, 2020 that were 6% more than those in the fiscal year ended June 30, 2019.

The Sales Tax Fund, a major special revenue fund, continues to maintain a strong fund balance with revenues and expenditures in the fiscal year ended June 30, 2020 being 13% more than and 17% more than those in the fiscal year ended June 30, 2019, respectively, which had experienced a 3% increase and 35% increase from the preceding year, respectively.

The Sales Tax Bond Sinking Fund, a major debt service fund, is used to accumulate monies for the payment of principal and interest on long-term indebtedness. This fund is maintaining a significant fund balance to fund the repayment of the \$1,315,000 sales tax bond issue that was used for street improvements.

The Street Improvement Projects Fund, a major capital projects fund, is used to account for street improvements being made to various streets.

PROPRIETARY FUNDS

The proprietary fund statements share the same focus as the government-wide statements, reporting short-term information about financial status.

BUDGETARY HIGHLIGHTS

The General Fund - Both the revenue and expenditure sides of the current year final budget for the General Fund were revised by a \$59,805 decrease and a \$54,600 decrease, respectively, in relation to the prior year's final budget. The primary change in the General Fund's budget relates to decreases in police special revenues and decreases in materials and supplies. The actual revenues exceeded the final budget by \$75,478 or 7% and the actual expenditures exceeded the final budget by \$9,608 or 1%.

The DMV Fund - The revenue and expenditure sides of the current year final budget for the DMV Fund were revised by a \$1,500 decrease and a \$170 decrease, respectively, in relation to the prior year's final budget. The primary change in the DMV Fund's budget relates to an overall decrease in special assessments revenues and

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

miscellaneous expenditures. The actual revenues exceeded budgeted revenues by \$113 or 3% and the actual expenditures were exceeded by budgeted expenditures by \$1 or 0%.

The Gaming Fund - The revenue side of the current year final budget for the Gaming Fund was revised by a \$14,510 increase and the expenditure side reflected no change in relation to the prior year final budget. The primary change in the Gaming Fund's budget relates to the overall increase in gaming revenues. The actual revenues exceeded the final budgeted revenues by \$4,367 or 2% while there were no actual expenditures or budgeted expenditures. Operating transfers of \$190,950 were made from the Gaming Fund.

The HUD Fund - The revenue and expenditure sides of the current year final budget for the HUD Fund were revised by a \$15,675 decrease and a \$82,500 decrease in relation to the prior year final budget. The primary change in the HUD Fund's final amended budget compared to the original budget relates to an expected decrease in housing assistance revenue and the overall decrease in housing assistance expenditures. The actual revenues exceeded final budgeted revenues by \$59,164 or 22% and the actual expenditures exceeded final budgeted expenditures by \$58,134 or 21%.

The Sales Tax Fund - The revenue and expenditure sides of the current year final budget for the Sales Tax Fund were revised by a \$18,500 increase and a \$25,835 decrease, respectively in relation to the prior year's final budget. The primary change in the Sales Tax Fund's budget relates to an increase in grant revenues and a decrease in repairs and maintenance. The actual revenues exceeded the final budget revenues by \$101,782 or 13% and the actual expenditures were exceeded by the final budget by \$204,150 or 46%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2020, were \$5,726,364 and \$5,819,649, respectively, while those figures as of June 30, 2019, were \$5,778,711 and \$6,143,095 respectively. The depreciated percentage of capital assets at year-end for the Town as a whole was 1% more than that at the end of the prior year. See Note D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. A major construction project was finished at year-end for street improvements. The total contract amount for construction, engineering, and grant assistance on the completed project amounted to \$479,209. The total contract amount for construction, engineering, and grant assistance on the completed project originally amounted to \$474,215. Change orders have brought the project cost up by \$4,994. This project was primarily funded by a federal grant. The following table provides a summary of capital asset activity.

| | Capital Assets | | | | | |
|-------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Non-depreciable assets: | | | | | | |
| Land | \$ 265,511 | \$ 265,511 | \$ 15,300 | \$ 15,300 | \$ 280,811 | \$ 280,811 |
| Construction in progress | 447,608 | - | - | 31,912 | 447,608 | 31,912 |
| Total non-depreciable | 713,119 | 265,511 | 15,300 | 47,212 | 728,419 | 312,723 |
| Depreciable assets: | | | | | | |
| Buildings & utility systems | 2,626,252 | 2,725,647 | 14,227,548 | 14,259,980 | 16,853,800 | 16,985,627 |
| Equipment & furniture | 1,111,643 | 1,148,319 | - | - | 1,111,643 | 1,148,319 |
| Infrastructure | 4,840,783 | 5,319,992 | - | - | 4,840,783 | 5,319,992 |
| Total depreciable assets | 8,578,678 | 9,193,958 | 14,227,548 | 14,259,980 | 22,806,226 | 23,453,938 |
| Less accumulated depreciation | 3,513,086 | 3,733,105 | 8,099,753 | 8,487,543 | 11,612,839 | 12,220,648 |
| Book value-depreciable assets | <u>\$ 5,065,592</u> | <u>\$ 5,460,853</u> | <u>\$ 6,127,795</u> | <u>\$ 5,772,437</u> | <u>\$ 11,193,387</u> | <u>\$ 11,233,290</u> |
| Percentage depreciated | 41% | 41% | 57% | 60% | 51% | 52% |
| Book value-all assets | <u>\$ 5,778,711</u> | <u>\$ 5,726,364</u> | <u>\$ 6,143,095</u> | <u>\$ 5,819,649</u> | <u>\$ 11,921,806</u> | <u>\$ 11,546,013</u> |

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The depreciable capital assets for governmental activities were 41% and 41% depreciated for the fiscal years ended June 30, 2020 and June 30, 2019, respectively. This comparison indicates that the Town is replacing its governmental assets at the same rate as they are depreciating without including construction in progress.

The major additions for governmental activities were:

- Street improvements – Nixon Addition
- Police building upgrade
- 2 police cars
- 3 computers

With the Town's business-type activities, 60% of the asset values were depreciated at June 30, 2020 compared to 57% at June 30, 2019. This comparison indicates that the town is replacing its business-type assets at a rate slower than they are depreciating.

The major additions for business-type activities were:

- Gas line
- Waste-water treatment plant plans
- Meters

Long-term debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$4,404,118. All of this amount is backed by the full faith and credit of the Town with debt service funded by sales taxes and sewer fund revenues.

During the year, the Town issued \$0 and retired \$387,001 in long-term debt. See Note G for additional information regarding long-term debt.

ECONOMIC CONDITIONS AFFECTING THE TOWN

The Town's primary nonproprietary revenue stream is from sales taxes, which are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy. The coronavirus pandemic has had a significantly negative impact on the Town financially in the last 4 months of the fiscal year and the effects are expected to continue well into the next fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Town Clerk, Traci Fontenot, P.O. Drawer AH, Kinder, LA 70648.

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Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

November 2, 2020

Honorable Wayland LaFargue, Mayor and the Town Council
Town of Kinder, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Report on Summarized Comparative Information

We have previously audited the Town of Kinder, Louisiana's financial statements, and we expressed an unmodified audit opinion on those financial statements in accordance with accounting principles generally accepted in the United States of America on our report dated October 7, 2019. In our opinion, the summarized comparative information (the fund balance sheet and the proprietary statement of net position) presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension liability information on pages 4 through 11 and 49 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

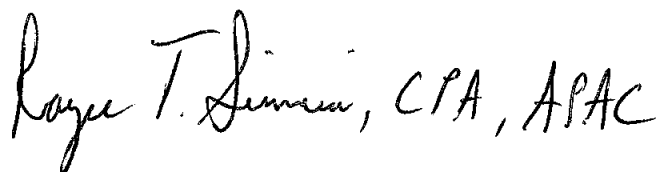
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kinder, Louisiana's basic financial statements. The schedule of number of utility customers, schedule of insurance in force, schedule of compensation paid to the Mayor and Council Members, and schedule of compensation, benefits and other payments to chief executive officer ("Other Supplementary Information") are presented on pages 60-63 for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2020, on our consideration of the Town of Kinder, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Kinder, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kinder, Louisiana's internal control over financial reporting and compliance.

Royce T. Scimemi, CPA, APAC



BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

Town of Kinder, Louisiana
Statement of Net Position
June 30, 2020

| | Primary Government | | |
|--------------------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash | \$ 1,186,680 | \$ 328,597 | \$ 1,515,277 |
| Investments | 1,838,718 | -- | 1,838,718 |
| Restricted cash | 74,080 | 328,284 | 402,364 |
| Restricted investments | -- | 46,200 | 46,200 |
| Restricted interest receivable | -- | 158 | 158 |
| Taxes receivable | 133,993 | -- | 133,993 |
| Gaming receivable | 45,252 | -- | 45,252 |
| Interest receivable | 13,579 | -- | 13,579 |
| Accounts receivable | -- | 108,978 | 108,978 |
| Other receivable | 33,100 | 739 | 33,839 |
| Due from other governments | 2,262 | -- | 2,262 |
| Land | 265,511 | 15,300 | 280,811 |
| Capital assets, net | 5,460,853 | 5,804,349 | 11,265,202 |
| Total Assets | 9,054,028 | 6,632,605 | 15,686,633 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows-pension related | 197,683 | -- | 197,683 |
| Total Deferred Outflows of Resources | 197,683 | -- | 197,683 |
| LIABILITIES | | | |
| Accounts and other accrued payables | 65,972 | 50,320 | 116,292 |
| Due to (from) other funds | 6,695 | (6,695) | -- |
| Interest payable | 3,727 | 845 | 4,572 |
| Due within one year | 332,545 | 58,666 | 391,211 |
| Due after one year | 341,000 | 3,571,568 | 3,912,568 |
| Accrued compensated absences | 85,949 | 14,390 | 100,339 |
| Customer meter deposits | -- | 189,086 | 189,086 |
| Net pension liability | 829,030 | -- | 829,030 |
| Total Liabilities | 1,664,918 | 3,878,180 | 5,543,098 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows-pension related | 99,018 | -- | 99,018 |
| Total Deferred Inflows of Resources | 99,018 | -- | 99,018 |
| NET POSITION | | | |
| <i>Invested in capital assets, net of related debt</i> | 5,049,092 | 2,188,570 | 7,237,662 |
| <i>Restricted</i> | 3,216,302 | 185,556 | 3,401,858 |
| <i>Unrestricted</i> | (777,619) | 380,299 | (397,320) |
| Total Net Position | \$ 7,487,775 | \$ 2,754,425 | \$ 10,242,200 |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Activities
For the Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue | | |
|-------------------------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General and Administrative | \$ 692,182 | \$ 133,230 | \$ -- | \$ -- | \$ (558,952) | \$ -- | \$ (558,952) |
| Streets | 324,948 | -- | 25,000 | 11,754 | (288,194) | -- | (288,194) |
| Public Safety - Police | 1,223,789 | 484,090 | 103,209 | 74,546 | (561,944) | -- | (561,944) |
| Section 8 Housing | 330,635 | -- | 324,158 | -- | (6,477) | -- | (6,477) |
| Interest on Long-Term Debt | 13,464 | -- | -- | -- | (13,464) | -- | (13,464) |
| Total Governmental Activities | 2,585,018 | 617,320 | 452,367 | 86,300 | (1,429,031) | -- | (1,429,031) |
| Business-Type Activities: | | | | | | | |
| Sewer Fund | 395,793 | 297,602 | -- | -- | -- | (98,191) | (98,191) |
| Water Fund | 379,795 | 379,094 | 19,074 | -- | -- | 18,373 | 18,373 |
| Gas Fund | 492,148 | 645,486 | -- | -- | -- | 153,338 | 153,338 |
| Interest on Long-Term Debt-Sewer Fund | 155,582 | -- | -- | -- | -- | (155,582) | (155,582) |
| Total Business-Type Activities | 1,423,318 | 1,322,182 | 19,074 | -- | -- | (82,062) | (82,062) |
| Total Primary Government | \$ 4,008,336 | \$ 1,939,502 | \$ 471,441 | \$ 86,300 | \$ (1,429,031) | \$ (82,062) | \$ (1,511,093) |
| General Revenues and Transfers: | | | | | | | |
| Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | 187,278 | -- | 187,278 |
| Sales | | | | | 719,288 | -- | 719,288 |
| Franchise | | | | | 120,282 | -- | 120,282 |
| Intergovernmental-state | | | | | 7,683 | -- | 7,683 |
| Miscellaneous | | | | | 111,367 | -- | 111,367 |
| Gaming | | | | | 171,014 | -- | 171,014 |
| Interest Income | | | | | 50,648 | 1,094 | 51,742 |
| Operating Transfers | | | | | 84,062 | (84,062) | -- |
| Total General Revenues and Operating Transfers | | | | | 1,451,622 | (82,968) | 1,368,654 |
| Change in Net Position | | | | | 22,591 | (165,030) | (142,439) |
| <i>Net Position at Beginning of Period</i> | | | | | <i>7,465,184</i> | <i>2,919,455</i> | <i>10,384,639</i> |
| Net Position at End of Period | | | | | \$ 7,487,775 | \$ 2,754,425 | \$ 10,242,200 |

See accompanying notes.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTIONS

General Fund

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

Special Revenue Funds

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

Sales Tax Fund

To account for the receipt and use of proceeds of the Town's restricted sales and use taxes.

Gaming Fund

To account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.

HUD Fund

To account for the receipt and expenditure of federal financial assistance for low-income housing.

DMV Fund

To account for the receipt and expenditure of funds collected on transactions with the state motor vehicle department.

Debt Service Fund

Sales Tax Bond Sinking Fund

To account for the accumulation of resources for, and the payment of \$1,315,000 sales tax bonds principal, interest, and related costs. It is funded by sales tax revenues.

Capital Projects Fund

Street Improvement Projects Fund

To account for the street improvements being made to the Town.

Enterprise Funds

Water Fund

To account for the provision of water services to 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.

Sewer Fund

To account for the provision of sewerage services to 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.

Gas Fund

To account for the provision of gas services to 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 Kinder, Louisiana
Balance Sheet
Governmental Funds
June 30, 2020

| | Special Revenue | | | | Debt Service | | Capital Projects | Total Governmental Funds | June 30, 2019 |
|------------------------------------------------------------------------------|-------------------|------------------|------------------|-------------------|---------------------|-----------------------------------|-------------------------------------------|--------------------------------|---------------------|
| | General Fund | DMV Fund | HUD Fund | Gaming Fund | Sales Tax Fund | Sales Tax Bond Sinking Fund | Street Improvement Projects Fund | | |
| ASSETS | | | | | | | | | |
| Cash | \$ 71,229 | \$ 14,202 | \$ 93,050 | \$ 42,580 | \$ 530,714 | \$ 338,142 | \$ 96,763 | \$ 1,186,680 | \$ 1,435,239 |
| Investments | -- | -- | -- | 508,789 | 1,329,929 | -- | -- | 1,838,718 | 1,811,777 |
| Restricted cash | 74,080 | -- | -- | -- | -- | -- | -- | 74,080 | 142,453 |
| Taxes receivable | -- | -- | -- | -- | 133,993 | -- | -- | 133,993 | 121,777 |
| Gaming receivable | -- | -- | -- | 45,252 | -- | -- | -- | 45,252 | 40,255 |
| Interest receivable | -- | -- | -- | 1,103 | 12,476 | -- | -- | 13,579 | 16,675 |
| Other receivable | 33,100 | -- | -- | -- | -- | -- | -- | 33,100 | 36,261 |
| Due from other governments | 2,262 | -- | -- | -- | -- | -- | -- | 2,262 | 417,524 |
| Building deposit | -- | -- | -- | -- | -- | -- | -- | -- | 24,849 |
| Total Assets | 180,671 | 14,202 | 93,050 | 597,724 | 2,007,112 | 338,142 | 96,763 | 3,327,664 | 4,046,810 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | | |
| Aggregated deferred outflows | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Assets and Deferred Outflows of Resources | \$ 180,671 | \$ 14,202 | \$ 93,050 | \$ 597,724 | \$ 2,007,112 | \$ 338,142 | \$ 96,763 | \$ 3,327,664 | \$ 4,046,810 |
| LIABILITIES | | | | | | | | | |
| Accounts and other accrued payables | \$ 61,201 | \$ -- | \$ -- | \$ -- | \$ 4,771 | \$ -- | \$ -- | \$ 65,972 | \$ 533,576 |
| Due to other funds | 6,695 | -- | -- | -- | -- | -- | -- | 6,695 | -- |
| Total Liabilities | 67,896 | -- | -- | -- | 4,771 | -- | -- | 72,667 | 533,576 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Aggregated deferred inflows | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Liabilities and Deferred Inflows of Resources | 67,896 | -- | -- | -- | 4,771 | -- | -- | 72,667 | 533,576 |
| FUND BALANCE | | | | | | | | | |
| Nonspendable | -- | -- | -- | -- | -- | -- | -- | -- | 24,849 |
| Restricted | 74,080 | 14,202 | 93,050 | 597,724 | 2,002,341 | 338,142 | 96,763 | 3,216,302 | 3,350,203 |
| Unassigned | 38,695 | -- | -- | -- | -- | -- | -- | 38,695 | 138,182 |
| Total Fund Balance | 112,775 | 14,202 | 93,050 | 597,724 | 2,002,341 | 338,142 | 96,763 | 3,254,997 | 3,513,234 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 180,671 | \$ 14,202 | \$ 93,050 | \$ 597,724 | \$ 2,007,112 | \$ 338,142 | \$ 96,763 | \$ 3,327,664 | \$ 4,046,810 |

See accompanying notes.

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

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------|
| Total Fund Balances - Governmental Funds | \$ | 3,254,997 |
| Accrued interest payable is accrued on Statement of Net Position and expensed on the Statement of Activities. Interest is expensed on a cash basis on the Statement of Revenues, Expenditures, and Changes in Fund Balances. | | (3,727) |
| Compensated absences are expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements, and reflected as liability on Statement of Net Position. | | (85,949) |
| Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balances. | | 5,726,364 |
| Long-term debt is reflected on Statement of Net Position but not in governmental funds balance sheet. | | (673,545) |
| Net pension liability is reflected on the Statement of Net Position but not in governmental funds balance sheet. | | (829,030) |
| Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows. | | 197,683 |
| Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows. | | (99,018) |
| Total Net Position - Governmental Activities | \$ | <u>7,487,775</u> |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | Special Revenue | | | | Debt Service | Capital Projects | Total Governmental Funds |
|-------------------------------------------------------------------|-------------------|------------------|------------------|-------------------|-----------------------------------|-------------------------------------------|--------------------------------|
| | General Fund | DMV Fund | HUD Fund | Gaming Fund | Sales Tax Bond Sinking Fund | Street Improvement Projects Fund | |
| Revenues | | | | | | | |
| Taxes | \$ 307,560 | \$ -- | \$ -- | \$ -- | \$ 719,288 | \$ -- | \$ 1,026,848 |
| Licenses and permits | 129,615 | -- | -- | -- | -- | -- | 129,615 |
| Intergovernmental | 92,099 | -- | 324,158 | -- | 99,546 | 11,754 | 527,557 |
| Fines | 484,090 | -- | -- | -- | -- | -- | 484,090 |
| Miscellaneous | 111,367 | -- | -- | -- | -- | -- | 111,367 |
| Gaming | -- | -- | -- | 171,014 | -- | -- | 171,014 |
| Special assessments | -- | 3,615 | -- | -- | -- | -- | 3,615 |
| Interest Income | 152 | 8 | 31 | 12,363 | 37,948 | 59 | 50,648 |
| Total Revenues | 1,124,883 | 3,623 | 324,189 | 183,377 | 856,782 | 59 | 2,504,754 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General and administrative | 532,980 | 4,199 | 5,999 | -- | 77,570 | -- | 620,748 |
| Streets | 171,992 | -- | -- | -- | 13,140 | -- | 185,132 |
| Police | 1,177,783 | -- | -- | -- | -- | -- | 1,177,783 |
| Section 8 housing | -- | -- | 330,635 | -- | -- | -- | 330,635 |
| Debt service: | | | | | | | |
| Principal retirement | 3,067 | -- | -- | -- | -- | 323,000 | 326,067 |
| Interest on long-term debt | 244 | -- | -- | -- | -- | 14,442 | 14,686 |
| Capital outlay | 14,086 | -- | -- | -- | 146,315 | -- | 192,002 |
| Total Expenditures | 1,900,152 | 4,199 | 336,634 | -- | 237,025 | 337,442 | 2,847,053 |
| Excess (Deficit) of Revenues Over (Under) Expenditures | (775,269) | (576) | (12,445) | 183,377 | 619,757 | (337,383) | (342,299) |
| Other Financing Sources (Uses) | | | | | | | |
| Operating transfers | 607,409 | -- | -- | (190,950) | (629,848) | 343,974 | 84,062 |
| Net Other Financing Sources (Uses) | 607,409 | -- | -- | (190,950) | (629,848) | 343,974 | 84,062 |
| Net Change in Fund Balance | (167,860) | (576) | (12,445) | (7,573) | (10,091) | 6,591 | (258,237) |
| Fund Balance at Beginning of Period | 280,635 | 14,778 | 105,495 | 605,297 | 2,012,432 | 331,551 | 3,513,234 |
| Fund Balance at End of Period | \$ 112,775 | \$ 14,202 | \$ 93,050 | \$ 597,724 | \$ 2,002,341 | \$ 338,142 | \$ 3,254,997 |

See accompanying notes.

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

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Total Net Changes in Fund Balances - Governmental Funds | \$ (258,237) |
| Fixed assets expensed as capital outlays in governmental fund statements, but capitalized in the Statement of Net Position. | 192,002 |
| Compensated absences are expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements, and reflected as liability on Statement of Net Position. | 2,282 |
| Principal payments on long-term debt are expensed in governmental fund statements, but treated as reductions of outstanding debt in entity-wide statements. | 326,067 |
| Depreciation expense is reflected in entity-wide statements, but not deducted in the governmental fund statements. | (244,349) |
| Accrued interest expense is included in Statement of Activities, but only expensed as paid in governmental fund statements. | 1,222 |
| Pension expense is based on employer contributions in the government funds Statement of Revenues, Expenditures, and Changes in Fund Balances, but is an actuarially calculated expense on the Statement of Activities. | (15,189) |
| Non-employers' contributions to retirement systems for the benefit of Town employees. | 18,793 |
| Change in Net Position - Governmental Activities | \$ <u>22,591</u> |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Net Position
Proprietary Funds
June 30, 2020

| | <u>Business-Type Activities - Enterprise Funds</u> | | | | <u>June 30, 2019</u> |
|--------------------------------------------------------|----------------------------------------------------|-------------------|-------------------|-------------------------------|----------------------|
| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Gas Fund</u> | <u>Total Enterprise Funds</u> | |
| ASSETS | | | | | |
| <i>Current Assets:</i> | | | | | |
| Cash | \$ 107,629 | \$ 189,189 | \$ 31,779 | \$ 328,597 | \$ 153,138 |
| Restricted cash | 185,398 | 59,183 | 83,703 | 328,284 | 355,063 |
| Restricted investments | -- | 15,065 | 31,135 | 46,200 | 47,754 |
| Restricted receivables | -- | 52 | 106 | 158 | 5 |
| Accounts receivable | 28,262 | 33,353 | 47,363 | 108,978 | 171,433 |
| Other receivable | -- | 739 | -- | 739 | 803 |
| Total Current Assets | <u>321,289</u> | <u>297,581</u> | <u>194,086</u> | <u>812,956</u> | <u>728,196</u> |
| <i>Noncurrent Assets:</i> | | | | | |
| Land | 15,300 | -- | -- | 15,300 | 15,300 |
| Capital assets, net | 5,256,816 | 419,967 | 127,566 | 5,804,349 | 6,127,795 |
| Total Assets | <u>5,593,405</u> | <u>717,548</u> | <u>321,652</u> | <u>6,632,605</u> | <u>6,871,291</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Aggregated deferred outflows | -- | -- | -- | -- | -- |
| Total Deferred Outflows of Resources | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| LIABILITIES | | | | | |
| <i>Current Liabilities:</i> | | | | | |
| Accounts and other accrued payables | 5,288 | 28,010 | 17,022 | 50,320 | 59,991 |
| Interest payable | 845 | -- | -- | 845 | 858 |
| Due within one year | 58,666 | -- | -- | 58,666 | 56,229 |
| Due to (from) other funds | (5,836) | (1,490) | 631 | (6,695) | -- |
| Total Current Liabilities | <u>58,963</u> | <u>26,520</u> | <u>17,653</u> | <u>103,136</u> | <u>117,078</u> |
| <i>Noncurrent Liabilities:</i> | | | | | |
| Customer deposits | 238 | 73,904 | 114,944 | 189,086 | 187,711 |
| Due after one year | 3,571,568 | -- | -- | 3,571,568 | 3,630,234 |
| Accrued compensated absences | -- | 357 | 14,033 | 14,390 | 16,813 |
| Total Liabilities | <u>3,630,769</u> | <u>100,781</u> | <u>146,630</u> | <u>3,878,180</u> | <u>3,951,836</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Aggregated deferred inflows | -- | -- | -- | -- | -- |
| Total Deferred Inflows of Resources | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| NET POSITION | | | | | |
| <i>Invested in capital assets, net of related debt</i> | 1,641,037 | 419,967 | 127,566 | 2,188,570 | 2,455,774 |
| <i>Restricted</i> | 185,160 | 396 | -- | 185,556 | 215,111 |
| <i>Unrestricted</i> | 136,439 | 196,404 | 47,456 | 380,299 | 248,570 |
| Total Net Position | <u>\$ 1,962,636</u> | <u>\$ 616,767</u> | <u>\$ 175,022</u> | <u>\$ 2,754,425</u> | <u>\$ 2,919,455</u> |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Total Enterprise Funds</u> |
|--------------------------------------------------|----------------------------------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Gas Fund</u> | |
| Operating Revenues | | | | |
| Charges for services | \$ 297,602 | \$ 379,094 | \$ 645,486 | \$ 1,322,182 |
| Intergovernmental revenue | -- | 19,074 | -- | 19,074 |
| Total Operating Revenues | <u>297,602</u> | <u>398,168</u> | <u>645,486</u> | <u>1,341,256</u> |
| Operating Expenses | | | | |
| Advertising - notices | -- | 368 | 145 | 513 |
| Audit fees | -- | 6,000 | 6,000 | 12,000 |
| Contract labor | -- | -- | 7,320 | 7,320 |
| Depreciation | 322,974 | 37,848 | 26,968 | 387,790 |
| Dues | -- | 300 | 1,018 | 1,318 |
| Engineering fees | -- | 330 | 220 | 550 |
| Gas and oil | -- | -- | 7,848 | 7,848 |
| Insurance | -- | 9,324 | 20,339 | 29,663 |
| Materials and supplies | 10,588 | 13,141 | 16,097 | 39,826 |
| Miscellaneous | 235 | 35,406 | 1,145 | 36,786 |
| Office supplies | -- | 553 | 213 | 766 |
| Payroll taxes | -- | 2,379 | 7,507 | 9,886 |
| Postage | -- | 4,216 | 5,011 | 9,227 |
| Professional services | 40,081 | -- | 1,522 | 41,603 |
| Retirement | -- | -- | 2,582 | 2,582 |
| Repairs and maintenance | 3,669 | 14,087 | 273 | 18,029 |
| Salaries | -- | 27,450 | 94,178 | 121,628 |
| Telephone | -- | -- | 1,571 | 1,571 |
| Travel | 40 | 145 | 1,870 | 2,055 |
| Uniforms | 2,528 | 2,273 | 2,273 | 7,074 |
| Utilities | 15,678 | 9,172 | 986 | 25,836 |
| Water and gas purchases | -- | 216,803 | 287,062 | 503,865 |
| Total Operating Expenses | <u>395,793</u> | <u>379,795</u> | <u>492,148</u> | <u>1,267,736</u> |
| Operating Income (Loss) | <u>(98,191)</u> | <u>18,373</u> | <u>153,338</u> | <u>73,520</u> |
| Non-Operating Revenues (Expenses) | | | | |
| Interest Income | 151 | 430 | 513 | 1,094 |
| Interest on long-term debt | (155,582) | -- | -- | (155,582) |
| Net Non-Operating Revenues (Expenses) | <u>(155,431)</u> | <u>430</u> | <u>513</u> | <u>(154,488)</u> |
| Income Before Contributions and Transfers | <u>(253,622)</u> | <u>18,803</u> | <u>153,851</u> | <u>(80,968)</u> |
| Operating transfers | 73,737 | (22,842) | (134,957) | (84,062) |
| Change In Net Position | <u>(179,885)</u> | <u>(4,039)</u> | <u>18,894</u> | <u>(165,030)</u> |
| Net Position at Beginning of Period | 2,142,521 | 620,806 | 156,128 | 2,919,455 |
| Net Position at End of Period | <u>\$ 1,962,636</u> | <u>\$ 616,767</u> | <u>\$ 175,022</u> | <u>\$ 2,754,425</u> |

See accompanying notes.

TOWN OF KINDER, LOUISIANA
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

| | Business-Type Activities – Enterprise Funds | | | |
|-------------------------------------------------------------------------------------------------|---------------------------------------------|---------------|-------------|--------------|
| | Water Fund | Sewer Fund | Gas Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from customers | \$ 402,525 | \$ 296,810 | \$ 705,815 | \$ 1,405,150 |
| Payments to suppliers | (311,440) | (72,429) | (371,652) | (755,521) |
| Payments to employees | (31,551) | - | (104,968) | (136,519) |
| Net cash from operating activities | 59,534 | 224,381 | 229,195 | 513,110 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Net proceeds (purchase) of investments | 695 | - | 858 | 5,553 |
| Interest earnings | 380 | 150 | 410 | 940 |
| Net cash from investing activities | 1,075 | 150 | 1,268 | 2,493 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Interest paid on sewer revenue bonds | - | (155,595) | - | (155,595) |
| Principal paid on sewer revenue bonds | - | (56,229) | - | (56,229) |
| Purchase of fixed assets | (1,859) | (31,912) | (30,571) | (64,342) |
| Net cash from capital activities | (1,859) | (243,736) | (30,571) | (276,166) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Operating transfers | (22,842) | 73,737 | (134,957) | (84,062) |
| Loans (to)/from other funds | (9,763) | (415) | 3,483 | (6,695) |
| Net cash from non-capital financing activities | (32,605) | 73,322 | (131,474) | (90,757) |
| NET INCREASE (DECREASE) IN CASH | 26,145 | 54,117 | 68,418 | 148,680 |
| CASH – BEGINNING | 222,227 | 238,910 | 47,064 | 508,201 |
| CASH – ENDING | \$ 248,372 | \$ 293,027 | \$ 115,482 | \$ 656,881 |
| Reconciliation of operating income (loss) to net cash from operating activities: | | | | |
| Operating income (loss) | \$ 18,373 | \$ (98,191) | \$ 153,338 | \$ 73,520 |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 37,848 | 322,974 | 26,968 | 387,790 |
| (Increase) decrease in receivables | 3,927 | (792) | 59,384 | 62,519 |
| Increase (decrease) in accounts payable | 678 | 390 | (10,739) | (9,671) |
| Increase (decrease) in compensated absences | (1,722) | - | (701) | (2,423) |
| Increase (decrease) in customer meter deposits | 430 | - | 945 | 1,375 |
| Net cash from operating activities | \$ 59,534 | \$ 224,381 | \$ 229,195 | \$ 513,110 |

See accompanying notes.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kinder, Louisiana (the "Town"), was created under the provisions of the Lawrason Act. The purpose of the Town is to provide services to its citizens, which include sewer, water and gas utilities, and police protection. The Town has a board of five elected council members who are compensated. The Town is located in Allen Parish, Louisiana and its population is approximately 2,500. There are approximately 30 employees working for the Town.

1. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town 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 for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town 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. These criteria include:

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial data of the Town (the primary government) which has no component units under the above criteria.

2. Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with governmental accounting principles generally accepted in the United States of America and with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued in June 1999.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Town are classified into two categories: governmental and proprietary/enterprise. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town; if the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all governmental and enterprise funds of that category or type; or if the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major funds:

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

The DMV Fund is used to account for the receipt and expenditure of funds collected on transactions with the state motor vehicle department.

The Gaming Fund is used to account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.

The HUD Fund is used to account for the receipt and expenditure of federal financial assistance for low-income housing.

The Sales Tax Fund is used to account for the receipt and use of proceeds of the Town's restricted sales and use taxes.

The Sales Tax Bond Sinking Fund is used to account for the accumulation of resources for, and the payment of \$1,315,000 sales tax bonds principal, interest, and related costs. It is funded by sales tax revenues.

The Street Improvement Projects Fund is used to account for the street improvements being made to the Town.

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges that are reported as program revenues; or (b) where the

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses. The Town's enterprise funds account for water, sewer, and gas services.

3. Measurement Focus/Basis of Accounting

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

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined in item b. below. In the fund financial statements, the "current financial resources" measurement focus is used as appropriate:

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

Basis of Accounting

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

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

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

The proprietary funds utilize the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The Town applies all applicable FASB pronouncements in accounting and reporting for its proprietary funds.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. All annual appropriations lapse at fiscal year-end.

Prior to the beginning of each fiscal year, the Mayor submits a budget to the Town Council. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The Town Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated. Any changes in the revenue estimates must be by an affirmative vote of a majority of the government's council. Expenditures may not legally exceed budgeted appropriations at the activity level.

The original budget and one amendment during the year are reflected in the budget comparisons.

5. Deposits

Deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits.

State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. government agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having an office in the State of Louisiana, as stipulated in La. R.S. 33:2955, or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana. LAMP maintains a local government investment pool.

As of June 30, 2020, the Town had deposits (book balances) totaling \$1,917,641. These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that, in the event of bank failure, the Town's deposits may not be returned. 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 or exceed 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 June 30, 2020, the Town has \$2,048,362 in deposits (collected bank balances). These deposits are secured from custodial credit risk by \$656,739 of federal deposit insurance and \$1,391,623 of pledged securities held by the custodial banks in the name of the fiscal agent banks or letters of credit from Federal Home Loan Bank.

6. Investments

The Town uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis. FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Town has the ability to access at the measurement date.

Level 2 inputs are quoted prices (unadjusted) other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2020 are as follows:

| | <u>Fair Value</u> | Quoted Price in Active Markets Identical Assets <u>Level 1</u> | Significant Observable Inputs <u>Level 2</u> | Significant Unobservable Inputs <u>Level 3</u> | <u>Cost</u> |
|-------------------------|--------------------|----------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------|--------------------|
| Certificates of deposit | \$ 101,371 | \$ 101,371 | - | - | \$ 98,726 |
| Mutual funds | 13,638 | 13,638 | \$ - | - | 12,852 |
| US treasury notes | <u>1,769,909</u> | <u>1,769,909</u> | - | - | <u>1,742,521</u> |
| Total investments | <u>\$1,884,918</u> | <u>\$1,884,918</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,854,099</u> |

| <u>Type of Debt Investment</u> | <u>Fair Value</u> | <u>Maturity</u> | | | <u>Credit Rating (Standard and Poor's)</u> |
|--------------------------------|--------------------|-----------------------------|-------------------------|--------------------------|----------------------------------------------------|
| | | <u>Less than 1 Year</u> | <u>1 to 5 Years</u> | <u>6 to 10 Years</u> | |
| Certificates of deposit | \$ 101,371 | \$ 101,371 | \$ - | \$ - | N/A |
| Mutual funds | 13,638 | 13,638 | - | - | A+ |
| US treasury notes | <u>1,769,909</u> | <u>1,699,784</u> | <u>70,125</u> | - | AA+ |
| Total investments | <u>\$1,884,918</u> | <u>\$ 1,814,793</u> | <u>\$ 70,125</u> | <u>\$ -</u> | |

The funds have interest reported net of the change in fair market value of the associated investments as follows:

| | <u>Accrual Interest Income</u> | <u>(Decrease) Increase in FMV</u> | <u>Reported Interest Income</u> |
|-----------------------------|----------------------------------------|-------------------------------------------|-----------------------------------------|
| General fund | \$ 152 | \$ - | \$ 152 |
| Sales tax fund | 29,140 | 8,808 | 37,948 |
| Gaming fund | 7,411 | 4,952 | 12,363 |
| HUD fund | 31 | - | 31 |
| DMV fund | 8 | - | 8 |
| Street improvements fund | 87 | - | 87 |
| Sales tax bond sinking fund | 59 | - | 59 |
| Gas fund | 443 | 70 | 513 |
| Sewer fund | 151 | - | 151 |
| Water fund | <u>396</u> | <u>34</u> | <u>430</u> |
| Total | <u>\$ 37,878</u> | <u>\$ 13,864</u> | <u>\$ 51,742</u> |

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

Interest Rate Risk: The Town's policy on investments states that safety of principal is the foremost objective, followed by liquidity and yield. Each investment transaction shall seek to first ensure that capital losses are avoided no matter the sources.

Credit Rate Risk: The Town's policy states that investment decisions should not incur unreasonable risks in order to obtain current investment income and requires the overall quality rating to be no lower than AA- as measured by Standard & Poor's or the equivalent rating (Aa3) by Moody's Investor Service.

Concentration of Credit Risk: The Town's investment portfolio consisted of 5% certificates of deposit, 1% mutual funds and 94% US treasury notes.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's policy addresses custodial credit risk for investments by requiring that they must be held by national banks, state-chartered banks or a national or state trust company in the name of the Town.

7. Interfund Receivables/Payables

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

8. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

There appears to be a concentration of credit risk with regard to general accounts receivable and more specifically, accounts receivable for gas, water and sewer user fees in the enterprise funds. The Town's ability to collect the amounts due from the users of the Town's gas, water and sewer systems and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

9. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$1,500 or more for capitalization of asset purchases.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by asset type is as follows:

| | |
|-------------------------------|-------------|
| Buildings | 20-50 years |
| Equipment and furniture | 3-40 years |
| Water, sewer, and gas systems | 20-66 years |
| Infrastructure | 25-50 years |

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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

10. Statement of Cash Flows

For the purpose of the statement of cash flows for the proprietary funds, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Investments with a maturity of more than three months are considered non-cash equivalents. The statement reflects ending cash and cash equivalents of \$656,881 which represents unrestricted and restricted amounts of \$328,597 and \$328,284, respectively. The cash and certificates of deposit are broken down further as follows:

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Gas Fund</u> | <u>Totals</u> |
|--------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and cash equivalents-Unrestricted | \$ 107,629 | \$ 189,189 | \$ 31,779 | \$ 328,597 |
| Cash and cash equivalents-Restricted | <u>185,398</u> | <u>59,183</u> | <u>83,703</u> | <u>328,284</u> |
| Total cash per the statement of cash flows | <u>\$ 293,027</u> | <u>\$ 248,372</u> | <u>\$ 115,482</u> | <u>\$ 656,881</u> |

11. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net position but not on the fund balance sheet. No expenditure is reported for these amounts in the fund financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with generally accepted accounting principles, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits for police personnel that the Town estimates will be taken as "terminal leave" prior to retirement.

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

Employees of the Town receive 80 hours to 200 hours of vacation leave each year, depending on their length of service. Upon termination, the employee is entitled to any unused vacation leave. In addition, employees may accumulate up to 240 hours of sick leave. Only police employees retiring at or after age 65 are entitled to any unused sick leave.

At June 30, 2020, employees of the Town have accumulated \$100,339 in leave privileges.

12. Long-Term Debt

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

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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

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

13. Equity Classification

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Consists of all other net position that does not meet the definition of a or b above.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

In the fund statements, governmental fund equity is classified as fund balance and is further classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used for specific purposes determined by a formal action of the Mayor and Council. They are the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Mayor and Council.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Mayor and Council members may assign amounts for specific purposes.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

- e. Unassigned – includes positive fund balance within the general fund which has not been classified with the above-mentioned categories and when applicable, negative fund balances in other governmental funds.

The Town's policy is to use restricted fund balances first unless prohibited by legal or contractual provisions, and then less restrictive classifications. The Town's less restrictive classifications are then used - committed, assigned, and lastly unassigned amounts of fund balance in that order when expenditures are made.

14. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements 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.

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 are reported as operating transfers.

15. Sales Taxes

1% Sales Tax

Proceeds of a 1% sales and use tax levied by the Town are dedicated to the following purposes:

- 1. 75% to be used for capital improvements.
- 2. 25% to be used for repairs and maintenance.

The tax expires on June 30, 2023.

.3% Sales Tax

Proceeds of a .3% sales and use tax levied by the Town are dedicated to the following purposes:

- 1. 90% to be used for operating and maintaining the Town's sewerage system.
- 2. 10% to be used for operating and maintaining the Town's library.

The tax expires on December 31, 2027.

16. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

17. Revenues, Expenditures, and Expenses

Program Revenues

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

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent after December 31. The taxes are generally collected in December, January and February of the fiscal year. Sales taxes are considered as "measurable" when in the hands of the sales tax collector and are recognized as revenue at that time. Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures/expenses

The Town's primary expenditures include salaries and insurance, which are recorded when the liabilities are incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

Other Financing Sources

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) when the transfers are authorized by the Town.

18. Environmental Remediation Costs

The Town accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

19. Subsequent Events

Management has evaluated subsequent events through November 2, 2020, the date the financial statements were issued. In December 2019, a novel strain of coronavirus was reported in Wuhan, China, The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. On August 27, 2020 Hurricane Laura made landfall in Southwest Louisiana as a Category 4 hurricane which followed by Hurricane Delta on October 8, 2020. The full extent of damages to the Town's facilities or effects on operations have not been determined.

20. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

Municipal Police Employees Retirement System (MPERS) and additions to/deductions from MPERS's fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

21. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTE B - PROPERTY TAXES

For the year ended June 30, 2020, taxes of 14.84 mills were levied on property with assessed valuations totaling \$12,307,600 and were dedicated as follows:

| | |
|---------------------------------------------|-------------|
| General corporate purposes | 14.84 mills |
| Total property taxes levied were \$182,645. | |

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

NOTE C - RECEIVABLES

The following is a summary of receivables for June 30, 2020:

| <u>Class of Receivable:</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> |
|-----------------------------|------------------------------------|------------------------------------------|
| Taxes: | | |
| Sales and use | \$ 133,993 | \$ - |
| Intergovernmental | 2,262 | - |
| Interest | 13,579 | 158 |
| Gaming | 45,252 | - |
| Charges for services | - | 108,978 |
| Other | <u>33,100</u> | <u>739</u> |
| Total | <u>\$ 228,186</u> | <u>\$ 109,875</u> |

Note D – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 follows:

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

| | <u>Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>End of Year</u> |
|------------------------------------|------------------------------|---------------------|-------------------|------------------------|
| Governmental Activities: | | | | |
| Land | \$ 265,511 | \$ - | \$ - | \$ 265,511 |
| Construction in progress | 447,608 | 31,601 | 479,209 | - |
| Buildings | 2,626,252 | 99,395 | - | 2,725,647 |
| Equipment and furniture | 1,111,643 | 61,006 | 24,330 | 1,148,319 |
| Infrastructure | <u>4,840,783</u> | <u>479,209</u> | <u>-</u> | <u>5,319,992</u> |
| Totals at historical cost | 9,291,797 | 671,211 | 503,539 | 9,459,469 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,113,307 | 63,078 | - | 1,176,385 |
| Equipment and furniture | 864,438 | 51,649 | 24,330 | 891,757 |
| Infrastructure | <u>1,535,341</u> | <u>129,622</u> | <u>-</u> | <u>1,664,963</u> |
| Total accumulated depreciation | <u>3,513,086</u> | <u>244,349</u> | <u>24,330</u> | <u>3,733,105</u> |
| Governmental Activities | | | | |
| Capital Assets, net | <u>\$ 5,778,711</u> | <u>\$ 426,862</u> | <u>\$ 479,209</u> | <u>\$ 5,726,364</u> |
| Business-Type Activities: | | | | |
| Land | \$ 15,300 | \$ - | \$ - | \$ 15,300 |
| Construction in progress | | | | |
| -sewer system | - | 31,912 | - | 31,912 |
| Water system | 2,258,490 | 1,860 | - | 2,260,350 |
| Sewer system | 11,269,124 | - | - | 11,269,124 |
| Gas system | <u>699,934</u> | <u>30,572</u> | <u>-</u> | <u>730,506</u> |
| Totals at historical cost | 14,242,848 | 64,344 | - | 14,307,192 |
| Less accumulated depreciation for: | | | | |
| Water system | 1,802,534 | 37,848 | - | 1,840,382 |
| Sewer system | 5,721,247 | 322,974 | - | 6,044,221 |
| Gas system | <u>575,972</u> | <u>26,968</u> | <u>-</u> | <u>602,940</u> |
| Total accumulated depreciation | <u>8,099,753</u> | <u>387,790</u> | <u>-</u> | <u>8,487,543</u> |
| Business-Type Activities | | | | |
| Capital Assets, net | <u>\$ 6,143,095</u> | <u>\$ (323,446)</u> | <u>\$ -</u> | <u>\$ 5,819,649</u> |

Depreciation expense for the year ended June 30, 2020 was \$244,349 and \$387,790 for the governmental activities and the business-type activities, respectively.

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|-------------------|
| General and administrative | \$ 68,702 |
| Streets | 140,241 |
| Police | <u>35,406</u> |
| | <u>\$ 244,349</u> |

The total contract amount for construction, engineering, and grant assistance on the construction in progress (street project in governmental activities) originally amounted to \$474,215 and the total expended was \$479,209. Change orders have brought the project cost up by \$4,994 and the project was completed in 2020. This project was totally funded by a federal grant, except for engineering costs which were funded by the Town. The construction in progress for the waste-water treatment

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

plant in the sewer fund was just beginning with engineering fees incurred totaling \$31,912. This project will not progress further until a bond is issued for \$3.3 million that will be funded by sales tax revenues.

NOTE E - ACCOUNTS PAYABLE

The following is a summary of payables at June 30, 2020:

| <u>Class of Payable:</u> | <u>Governmental Activities Funds</u> | <u>Business-Type Activities Funds</u> |
|--------------------------|----------------------------------------------|-----------------------------------------------|
| Trade accounts | \$ 65,972 | \$ 50,320 |

NOTE F - PENSION PLAN

All employees of the Town are members of the federal social security system.

Police officers of the Town are eligible to participate in the Municipal Police Employees Retirement System of Louisiana (System or MPERS). This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Municipal Police Employees Retirement System of Louisiana

Plan Description. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided he or she does not have to pay social security and provided he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013:

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are 3½% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013:

Member eligibility for regular retirement, early retirement, disability and survivor benefits is based on Hazardous Duty and Non-Hazardous Duty sub-plans. Under the Hazardous Duty sub-plan, a member is

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub-plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub-plans, the benefit rates are 3% and 2½%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 25% to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month whichever is greater. If deceased member had less than 10 years of service, the beneficiary will receive a refund of employee contributions only.

Cost-of-Living Adjustments: The Board of Trustees is authorized to provide annual cost-of-living adjustments (COLA) computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a COLA until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a COLA until they reach regular retirement age. A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

Deferred Retirement Option Plan: A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub-plan participation. Upon filing the application for the program, the employee's active membership in the MPERS is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at the date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the MPERS shall resume and upon later termination, the member shall receive as additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the MPERS's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the MPERS's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

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

**Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020**

The MPERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601, or by calling (225) 929-7411 or on the internet at www.lampers.org.

Funding Policy. Plan members are required by state statute to contribute 10% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. As provided by La. R.S. 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. For the fiscal year ended June 30, 2020, the required rate is 32.50% of annual covered payroll. The Town's contributions to the MPERS for the years ending June 30, 2020, 2019, and 2018 were \$95,626, \$91,937 and \$86,144, respectively. These amounts are equal to the required contributions for each year. The amount payable for legally required contributions by the Town at June 30, 2020 was \$10,447.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$829,030 for its proportionate share of net pension liability (NPL). The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2019 the Town's proportion was 0.091286%, which was a decrease of 0.003641% from its proportion measured as of June 30, 2018. The Town's proportionate share of revenue recognized for non-employer pension contributions to the plan was \$18,793 through the measurement date.

For the year ended June 30, 2020, the Town recognized pension expense of \$110,812. At June 30, 2020, the Town recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ 1,739 | \$ 25,506 |
| Net difference between projected and actual earnings on pension plan investments | 53,861 | - |
| Changes of assumptions | 46,457 | - |
| Changes in proportion of beginning NPL | - | 73,380 |
| Differences between Town contributions and proportionate share of contributions | - | 132 |
| Town contributions subsequent to the measurement date | <u>95,626</u> | <u>-</u> |
| Totals | <u>\$ 197,683</u> | <u>\$ 99,018</u> |

The \$95,626 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

| | |
|---------------------|-----------------|
| Year ended June 30: | |
| 2021 | \$ 5,994 |
| 2022 | (29,413) |
| 2023 | 13,013 |
| 2024 | 13,445 |
| 2025 | - |
| Thereafter | - |
| Total | <u>\$ 3,039</u> |

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|----------------------------------------------------|-----------------------------------|---------------------------|
| Actuarial Cost Method | Entry Age Normal Cost | |
| Investment Rate of Return | 7.125%, net of investment expense | |
| Expected Remaining Service Lives | 4 years | |
| Inflation rate | 2.5% | |
| Salary increases, including inflation and merit | <u>Years of Service</u> | <u>Salary Growth Rate</u> |
| | 1-2 | 9.75% |
| | 3-23 | 4.75% |
| | 24 & Over | 4.25% |

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

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

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

Cost-of-Living Adjustments The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

Mortality Rate. The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the MPERS's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The rest of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2019 (the measurement date) are summarized in the following table:

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Portfolio Real Rate of Return</u> |
|-------------------------|--------------------------|---------------------------------------------------------|
| Equity | 48.50% | 3.28% |
| Fixed Income | 33.50% | 0.80% |
| Alternative | 18.00% | 1.06% |
| Other | <u>0.00%</u> | <u>0.00%</u> |
| Totals | 100.00% | 5.14% |
| Inflation | | <u>2.75%</u> |
| Expected Nominal Return | | 7.89% |

Discount rate. The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the MPERS's actuary. Based on those assumptions, the MPERS's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.125% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.125%) and one percentage point higher (8.125%) than the current rate as of June 30, 2019:

| | <u>1% Decrease (6.125%)</u> | <u>Discount Rate (7.125%)</u> | <u>1% Increase (8.125%)</u> |
|---------------------------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| Town's proportionate share of the net pension liability | \$1,155,112 | \$829,030 | \$555,480 |

Change in Net Pension Liability: The changes in the net pension liability for the year ended June 30, 2019, were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred outflow of resources of \$1,739 and a deferred inflow of resources in the amount of \$25,506 for the year ended June 30, 2020.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$53,861 for the year ended June 30, 2020.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

Changes of Assumptions or Other Inputs:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions or other inputs resulted in a deferred outflow of resources in the amount of \$46,457 for the year ended June 30, 2020.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. Changes in employer's portion of the beginning net pension liability resulted in a deferred inflow of resources of \$73,380 for the year ended June 30, 2020. Differences between Town contributions and proportionate share of contributions resulted in a deferred inflow of resources of \$132 for the year ended June 30, 2020.

NOTE G - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2020 follows:

| | <u>Beginning of Year</u> | <u>Issued</u> | <u>Retired</u> | <u>End of Year</u> |
|------------------------|------------------------------|---------------|-------------------|------------------------|
| Bonds payable | \$ 4,682,463 | \$ - | \$ 379,229 | \$ 4,303,234 |
| Capital lease payable | 3,612 | - | 3,067 | 545 |
| Other liabilities: | | | | |
| Accrued leave benefits | <u>105,044</u> | <u>-</u> | <u>4,705</u> | <u>100,339</u> |
| Long-Term Liabilities | <u>\$ 4,791,119</u> | <u>\$ -</u> | <u>\$ 387,001</u> | <u>\$ 4,404,118</u> |

Under the Town's agreement with the USDA, the Town will set aside an annual reserve payment at least equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service payment in a future year is accumulated in the reserve fund. Thereafter, all payments are to be made into the depreciation and contingency fund.

The payments on the sewer revenue bonds will be paid out of the Sales Tax Fund and/or the Sewer Fund. The capital leases and accrued leave benefits liabilities will be paid by the General Fund. The long-term debt is comprised of the following individual issues:

Capital Lease Payable-Governmental:

\$8,438 Capital lease payable dated 08/20/2017 due in monthly installments of \$276 from 09/20/2017 through 08/20/2020; interest at 10.923% \$ 545

Sales Tax Revenue Bonds Payable-Governmental:

\$1,315,000 Sales tax revenue bonds dated 09/18/2017 due in annual installments ranging from \$337,690 in 2019 to \$347,300 in 2021 with interest averaging 1.86% and 0.93% (secured by certain sales tax revenues) 673,000

Accrued Leave Payable-Governmental 85,949

Accrued Leave Payable-Proprietary 14,390

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

Sewer Revenue Bonds Payable-Proprietary:

\$4,030,000 Sewer revenue bonds dated 03/29/2011 due in an initial payment of \$170,799 on 03/28/2012 and then monthly installments of \$17,651 from 04/28/2012 through 03/28/2051; interest at 4.25% (secured by sewer revenues)

3,630,234

Total

\$ 4,404,118

The annual requirements to amortize all revenue bonds and capital leases outstanding at June 30, 2020 are as follows:

| <u>Fiscal Year Ending</u> | <u>Principal Payments</u> | <u>Interest Payments</u> | <u>Totals</u> |
|---------------------------|---------------------------|--------------------------|--------------------|
| 2021 | \$ 391,211 | \$ 162,296 | \$ 553,507 |
| 2022 | 402,209 | 153,758 | 555,967 |
| 2023 | 63,860 | 147,956 | 211,816 |
| 2024 | 66,629 | 145,188 | 211,817 |
| 2025 | 69,516 | 142,301 | 211,817 |
| 2026-2030 | 395,468 | 663,616 | 1,059,084 |
| 2031-2035 | 488,918 | 570,166 | 1,059,084 |
| 2036-2040 | 604,450 | 454,634 | 1,059,084 |
| 2041-2045 | 747,283 | 311,801 | 1,059,084 |
| 2046-2050 | 923,867 | 135,217 | 1,059,084 |
| 2051 | <u>150,368</u> | <u>2,592</u> | <u>152,960</u> |
| Totals | <u>\$4,303,779</u> | <u>\$2,889,525</u> | <u>\$7,193,304</u> |

In accordance with La. R.S. 39:562, the Town is legally restricted from incurring long-term bonded debt (payable solely from ad valorem taxes) in excess of 35% of the assessed value of taxable property in the Town. At June 30, 2020 the statutory limit is \$4,307,660.

NOTE H - COMPONENTS OF RESTRICTED ASSETS

| | <u>On Deposit</u> | <u>Required</u> | <u>Over (Under)</u> |
|----------------------------------------------------------------|-------------------|------------------|---------------------|
| Restricted assets consisted of the following at June 30, 2020: | | | |
| Cash accounts in general fund for public safety | \$ 74,080 | \$ 74,080 | \$ - |
| Sewer revenue bond sinking account | 3,127 | - | 3,127 |
| Sewer revenue bond reserve account | 95,372 | 92,699 | 2,673 |
| Sewer revenue bond depreciation and contingency account | 95,372 | 92,699 | 2,673 |
| Customer deposits – gas and water and sewer | 189,086 | 189,086 | - |
| Interest receivable on restricted assets | <u>158</u> | <u>158</u> | <u>-</u> |
| Total restricted assets | <u>\$457,195</u> | <u>\$448,722</u> | <u>\$ 8,473</u> |

NOTE I - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE J - CONTINGENCIES

The Town participates in a number of federal and state grant programs that are either partially or fully funded by grants received from other governmental units. Such grants are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the Town believes that any disallowed costs as a result of such audits will be immaterial.

NOTE K - TRIBAL STATE COMPACT COMPLIANCE

The \$190,950 in operating transfers out of the gaming fund to the other funds were used entirely for reimbursement of police salaries of \$190,950.

NOTE L - LOCAL SERVICES AGREEMENT

On September 8, 1997 the Town entered into a local services agreement with the Allen Parish Libraries Board of Control, a subdivision of the Allen Parish Police Jury. The purpose was to construct a building in the Town to be used as a public library. The Town agreed to purchase land for the building, construct a building, be responsible for certain repairs, insure the building against loss, provide liability insurance and borrow money to accomplish the purposes of the agreement.

NOTE M - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees who have been employed by the Town for 12 consecutive months, permits them to defer a portion of their salaries until future years. The Town will match one-hundred percent (100%) of the employee's contribution to a maximum of five percent (5%) of the employee's salary. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. The amount of deferred compensation reported as expense during the reporting period was \$15,142. The balance due to the plan of both employer and employee contributions at the end of the reporting period was \$3,973.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

In management's opinion, the Town has no liability for losses under the plan. However, the Town does have the duty of due care that would be required of an ordinary prudent investor. The Town believes it is unlikely that it will use the plan assets to satisfy the claims of general creditors in the future.

NOTE N - ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana pays a portion of the salaries of the Town's police officers. These on-behalf payments have been recorded in the accompanying financial statements in accordance with GASB Statement 24 as intergovernmental revenues and expenditures as follows:

Intergovernmental Revenues:

State

\$ 72,000

**Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2020**

Expenditures:

Salaries

\$ 72,000

NOTE O - LOUISIANA COMMUNITY DEVELOPMENT BLOCK GRANT (LCDBG)

During the fiscal year, the Town completed street improvements to Nixon Addition utilizing LCDBG proceeds. The project was accounted for in the Street Improvement Capital Projects fund. This project was the only project reported on the statement of revenues, expenditures, and changes in fund balance for this fund. The Town received \$11,754 in LCDBG proceeds and that entire amount was used to pay the construction contractor's final invoice for the same amount. Other expenditures for that project included engineering fees, grant administration fees, and recording costs totaling \$19,847 that were reported in that fund. This completed the LCDBG grant for the Nixon Addition and there was no cash from LCDBG reported on the fiscal year-end balance sheet for this fund.

NOTE P – OPERATING TRANSFERS

Operating transfers consisted of the following at June 30, 2020:

| | Transfers In | Transfers Out |
|-----------------------------------------|--------------------|--------------------|
| Major funds: | | |
| General Fund | \$ 675,064 | \$ 67,655 |
| Sales Tax Fund | \$ 71,570 | 701,418 |
| Gaming Fund | - | 190,950 |
| Sales Tax Bond Sinking Fund | 343,974 | - |
| Street Improvement Capital Project Fund | - | 46,523 |
| Water Fund | 1,739 | 24,581 |
| Sewer Fund | 243,737 | 170,000 |
| Gas Fund | <u>32,565</u> | <u>167,522</u> |
| | <u>\$1,368,649</u> | <u>\$1,368,649</u> |

Operating transfers are used to move revenues from the fund that is required by statute or budget to collect them to the fund that is required by statute or budget to expend them. Typically, most of the operating transfers from proprietary funds are made into the General Fund. The Gaming Fund transfers to the General Fund in the amount of \$190,950 are used to cover a portion of police salaries. The largest recurring operating transfers total \$343,974 that were transferred from the Sales Tax Fund to the Sales Tax Bond Sinking Fund for debt service payments. The Sales Tax Fund also transferred debt service payments of \$211,824 to the Sewer Fund. The interfund balances result from the credit/debit card collections by the Water Fund that belong to the Gas and Sewer Funds that have not been transferred by the end of each month. Also, the interfund balances result from the payment of payroll in the General Fund that is subsequently reimbursed by the Gas and Water Funds.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Change in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance |
|------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Ad valorem | \$ 170,000 | \$ 184,000 | \$ 187,278 | \$ 3,278 |
| Public utility franchise | 140,000 | 135,000 | 120,282 | (14,718) |
| Licenses | 138,000 | 135,000 | 122,625 | (12,375) |
| Permits | 6,155 | 6,650 | 6,990 | 340 |
| Beer tax | 7,000 | 5,500 | 7,683 | 2,183 |
| Grant | 87,000 | 83,500 | 84,416 | 916 |
| Court fines | 511,000 | 446,600 | 475,509 | 28,909 |
| Police special | 25,000 | 10,000 | 8,481 | (1,519) |
| DWI | 250 | 200 | 100 | (100) |
| Interest | 100 | 65 | 152 | 87 |
| Miscellaneous | 46,000 | 42,890 | 111,367 | 68,477 |
| Total Revenues | 1,130,505 | 1,049,405 | 1,124,883 | 75,478 |
| Expenditures | | | | |
| <i>Current:</i> | | | | |
| Advertising - notices | 5,000 | 5,000 | 4,374 | 626 |
| Audit fees | 6,000 | 6,000 | 6,000 | -- |
| Auto allowance - dog catcher | 1,560 | 1,560 | 2,117 | (557) |
| Care of prisoners | 7,100 | 5,200 | 5,460 | (260) |
| Contract labor | 12,000 | 10,000 | 11,577 | (1,577) |
| Dues | 2,400 | 3,300 | 3,331 | (31) |
| Engineering fees | 8,000 | 5,000 | 4,335 | 665 |
| Gas and oil | 28,500 | 32,800 | 31,301 | 1,499 |
| Insurance | 312,100 | 341,870 | 324,621 | 17,249 |
| Materials and supplies | 61,000 | 45,900 | 44,360 | 1,540 |
| Miscellaneous | 37,720 | 31,010 | 22,371 | 8,639 |
| Office supplies | 8,500 | 5,000 | 4,344 | 656 |
| Payroll taxes | 79,071 | 80,005 | 83,600 | (3,595) |
| Per diem | 3,000 | 1,310 | 1,303 | 7 |
| Postage | 3,700 | 4,300 | 3,151 | 1,149 |
| Professional services | 12,000 | 14,000 | 15,626 | (1,626) |
| Repairs and maintenance | 31,125 | 44,665 | 26,608 | 18,057 |
| Retirement | 108,110 | 111,275 | 111,697 | (422) |
| Salaries | 1,031,548 | 1,030,874 | 1,069,815 | (38,941) |
| Salaries - dog catcher | 14,690 | 14,690 | 14,134 | 556 |
| Street lights | 41,870 | 38,500 | 37,306 | 1,194 |
| Telephone | 20,900 | 20,900 | 22,776 | (1,876) |
| Travel | 4,000 | 5,435 | 5,765 | (330) |
| Uniforms | 8,000 | 1,000 | 603 | 397 |
| Utilities | 33,020 | 30,950 | 26,180 | 4,770 |
| <i>Debt Service:</i> | | | | |
| Principal retirement | -- | -- | 3,067 | (3,067) |
| Interest | -- | -- | 244 | (244) |
| Capital outlays | 30,000 | -- | 14,086 | (14,086) |
| Total Expenditures | 1,910,914 | 1,890,544 | 1,900,152 | (9,608) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (780,409) | (841,139) | (775,269) | 65,870 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers | 700,000 | 700,000 | 607,409 | (92,591) |
| Total Other Financing Sources (Uses) | 700,000 | 700,000 | 607,409 | (92,591) |
| Net Change in Fund Balance | (80,409) | (141,139) | (167,860) | (26,721) |
| <i>Fund Balance at Beginning of Period</i> | 280,635 | 280,635 | 280,635 | -- |
| Fund Balance at End of Period | \$ 200,226 | \$ 139,496 | \$ 112,775 | \$ (26,721) |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Change in Fund Balance-Budget and Actual
DMV Fund
For the Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance |
|--------------------------------------------|-------------------------|------------------|------------------|------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | Favorable (Unfavorable) |
| | | | | <u>Final to Actual</u> |
| Revenues | | | | |
| Interest | \$ 10 | \$ 10 | \$ 8 | \$ (2) |
| Special assessments | 5,000 | 3,500 | 3,615 | 115 |
| Total Revenues | 5,010 | 3,510 | 3,623 | 113 |
| Expenditures | | | | |
| <i>Current:</i> | | | | |
| Miscellaneous | 4,500 | 4,000 | 4,199 | (199) |
| Repairs and maintenance | 100 | 200 | -- | 200 |
| Total Expenditures | 4,600 | 4,200 | 4,199 | 1 |
| Net Change in Fund Balance | 410 | (690) | (576) | 114 |
| <i>Fund Balance at Beginning of Period</i> | 14,778 | 14,778 | 14,778 | -- |
| Fund Balance at End of Period | \$ 15,188 | \$ 14,088 | \$ 14,202 | \$ 114 |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Change in Fund Balance-Budget and Actual
Gaming Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance |
|---------------------------------------------|-------------------------|-------------------|-------------------|--------------------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Interest | \$ 5,500 | \$ 8,000 | \$ 12,363 | \$ 4,363 |
| Gaming | 161,020 | 171,010 | 171,014 | 4 |
| Total Revenues | 166,520 | 179,010 | 183,377 | 4,367 |
| Expenditures | | | | |
| Total Expenditures | -- | -- | -- | -- |
| Other Financing Sources (Uses) | | | | |
| Operating transfers | (170,000) | (170,000) | (190,950) | (20,950) |
| Total Other Financing Sources (Uses) | (170,000) | (170,000) | (190,950) | (20,950) |
| Net Change in Fund Balance | (3,480) | 9,010 | (7,573) | (16,583) |
| <i>Fund Balance at Beginning of Period</i> | 605,297 | 605,297 | 605,297 | -- |
| Fund Balance at End of Period | \$ 601,817 | \$ 614,307 | \$ 597,724 | \$ (16,583) |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Change in Fund Balance-Budget and Actual
HUD Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance |
|--------------------------------------------|------------------|------------|------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Grant | \$ 380,000 | \$ 265,000 | \$ 324,158 | \$ 59,158 |
| Interest | 700 | 25 | 31 | 6 |
| Total Revenues | 380,700 | 265,025 | 324,189 | 59,164 |
| Expenditures | | | | |
| <i>Current:</i> | | | | |
| Miscellaneous | 1,000 | 3,000 | 5,999 | (2,999) |
| Section 8 housing | 360,000 | 275,500 | 330,635 | (55,135) |
| Total Expenditures | 361,000 | 278,500 | 336,634 | (58,134) |
| Net Change in Fund Balance | 19,700 | (13,475) | (12,445) | 1,030 |
| <i>Fund Balance at Beginning of Period</i> | 105,495 | 105,495 | 105,495 | -- |
| Fund Balance at End of Period | \$ 125,195 | \$ 92,020 | \$ 93,050 | \$ 1,030 |

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Change in Fund Balance-Budget and Actual
Sales Tax Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance |
|----------------------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Sales taxes | 742,000 | 701,100 | 733,968 | 32,868 |
| Less: collection fees | -- | -- | (14,680) | (14,680) |
| Grant | \$ 20,000 | \$ 25,000 | \$ 99,546 | \$ 74,546 |
| Interest | 30,000 | 28,900 | 37,948 | 9,048 |
| Total Revenues | 792,000 | 755,000 | 856,782 | 101,782 |
| Expenditures | | | | |
| <i>Current:</i> | | | | |
| Audit fees | 12,000 | 13,000 | 13,000 | -- |
| Engineering fees | 3,000 | 40,000 | 2,003 | 37,997 |
| Materials and supplies | 2,500 | 5,500 | 9,721 | (4,221) |
| Miscellaneous | 1,000 | -- | 3 | (3) |
| Professional services | 5,000 | 7,760 | 921 | 6,839 |
| Repairs and maintenance | 92,170 | 31,560 | 65,062 | (33,502) |
| <i>Debt service:</i> | | | | |
| Principal retirement | 56,230 | 56,230 | -- | 56,230 |
| Interest | 155,590 | 155,595 | -- | 155,595 |
| Capital outlays | 145,315 | 131,530 | 146,315 | (14,785) |
| Total Expenditures | 472,805 | 441,175 | 237,025 | 204,150 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 319,195 | 313,825 | 619,757 | 305,932 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers | (550,000) | (530,000) | (629,848) | (99,848) |
| Total Other Financing Sources (Uses) | (550,000) | (530,000) | (629,848) | (99,848) |
| Net Change in Fund Balance | (230,805) | (216,175) | (10,091) | 206,084 |
| <i>Fund Balance at Beginning of Period</i> | 2,012,432 | 2,012,432 | 2,012,432 | -- |
| Fund Balance at End of Period | \$ 1,781,627 | \$ 1,796,257 | \$ 2,002,341 | \$ 206,084 |

See accompanying notes.

TOWN OF KINDER, LOUISIANA
General Fund
Departmental Expenditures –
Budgetary Comparison Schedule
For The Year Ended June 30, 2020

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|-----------------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | | Favorable (Unfavorable) |
| GENERAL AND ADMINISTRATIVE | | | | |
| Advertising - notices | \$ 5,000 | 5,000 | \$ 4,374 | \$ 626 |
| Audit fees | 6,000 | 6,000 | 6,000 | - |
| Dues | 2,300 | 3,200 | 3,301 | (101) |
| Engineering fees | 8,000 | 5,000 | 4,335 | 665 |
| Gas and oil | 1,000 | 800 | 704 | 96 |
| Insurance | 166,685 | 180,325 | 117,449 | 62,876 |
| Material and supplies | 26,000 | 8,500 | 10,594 | (2,094) |
| Miscellaneous | 25,400 | 12,625 | 11,850 | 775 |
| Office supplies | 7,000 | 4,000 | 3,078 | 922 |
| Payroll taxes | 19,215 | 19,555 | 21,309 | (1,754) |
| Per diem | 1,000 | 930 | 927 | 3 |
| Postage | 3,100 | 3,700 | 3,151 | 549 |
| Professional services | 6,000 | 7,500 | 8,768 | (1,268) |
| Repairs and maintenance | 18,325 | 14,665 | 10,957 | 3,708 |
| Retirement | 8,435 | 8,500 | 8,544 | (44) |
| Salaries | 288,174 | 288,174 | 287,948 | 226 |
| Telephone | 8,500 | 8,500 | 9,302 | (802) |
| Travel | 3,000 | 3,280 | 3,277 | 3 |
| Utilities | 21,320 | 20,250 | 17,112 | 3,138 |
| TOTAL GENERAL AND ADMINISTRATIVE | <u>\$ 624,454</u> | <u>\$ 600,504</u> | <u>\$ 532,980</u> | <u>\$ 67,524</u> |
| STREET DEPARTMENT | | | | |
| Care of prisoners | \$ 3,500 | \$ 3,500 | \$ 3,303 | \$ 197 |
| Contract labor | 12,000 | 10,000 | 11,577 | (1,577) |
| Gas and oil | 2,500 | 10,000 | 8,409 | 1,591 |
| Insurance | 10,685 | 16,600 | 14,645 | 1,955 |
| Materials and supplies | 20,000 | 20,000 | 20,982 | (982) |
| Miscellaneous | 4,120 | 6,500 | 4,486 | 2,014 |
| Payroll taxes | 4,470 | 4,620 | 4,869 | (249) |
| Repairs and maintenance | 1,500 | 4,400 | 3,606 | 794 |
| Retirement | 1,445 | 1,400 | 1,392 | 8 |
| Salaries | 55,000 | 55,600 | 59,763 | (4,163) |
| Street lights | 41,870 | 38,500 | 37,306 | 1,194 |
| Travel | - | - | 140 | (140) |
| Utilities | 2,100 | 1,700 | 1,514 | 186 |
| TOTAL STREET DEPARTMENT | <u>\$ 159,190</u> | <u>\$ 172,820</u> | <u>\$ 171,992</u> | <u>\$ 828</u> |

See accompanying notes.

TOWN OF KINDER, LOUISIANA
General Fund
Departmental Expenditures –
Budgetary Comparison Schedule
For The Year Ended June 30, 2020

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | | Favorable (Unfavorable) |
| POLICE DEPARTMENT | | | | |
| Auto allowance – dog catcher | \$ 1,560 | \$ 1,560 | \$ 2,117 | \$ (557) |
| Care of prisoners | 3,600 | 1,700 | 2,157 | (457) |
| Dues | 100 | 100 | 30 | 70 |
| Gas and oil | 25,000 | 22,000 | 22,188 | (188) |
| Insurance | 100,880 | 110,595 | 161,324 | (50,729) |
| Insurance-dispatchers | 33,850 | 34,350 | 31,203 | 3,147 |
| Materials and supplies | 15,000 | 17,400 | 12,784 | 4,616 |
| Miscellaneous | 8,200 | 11,885 | 6,035 | 5,850 |
| Office supplies | 1,500 | 1,000 | 1,266 | (266) |
| Payroll taxes | 55,386 | 55,830 | 57,422 | (1,592) |
| Per diem | 2,000 | 380 | 376 | 4 |
| Postage | 600 | 600 | - | 600 |
| Professional services | 6,000 | 6,500 | 6,858 | (358) |
| Repairs and maintenance | 11,300 | 25,600 | 12,045 | 13,555 |
| Retirement | 98,230 | 101,375 | 101,761 | (386) |
| Salaries | 688,374 | 687,100 | 722,104 | (35,004) |
| Salaries-dog catcher | 14,690 | 14,690 | 14,134 | 556 |
| Telephone | 12,400 | 12,400 | 13,474 | (1,074) |
| Travel | 1,000 | 2,155 | 2,348 | (193) |
| Uniforms | 8,000 | 1,000 | 603 | 397 |
| Utilities | 9,600 | 9,000 | 7,554 | 1,446 |
| TOTAL POLICE DEPARTMENT | <u>\$ 1,097,270</u> | <u>\$ 1,117,220</u> | <u>\$ 1,177,783</u> | <u>\$ (60,563)</u> |

See accompanying notes.

TOWN OF KINDER, LOUISIANA
General Fund
Schedule of Town's Proportionate Share of
Net Pension Liability
Municipal Police Employee Retirement System (MPERS)

Last 10 Fiscal Years

| *Fiscal Year Ended June 30: | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-----------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|-------------|-------------|-------------|
| Town's proportion of the net pension liability (asset) | .091286% | .094927% | .105295% | .111447% | .107780% | .100676% | .094254% | Unavailable | Unavailable | Unavailable |
| Town's proportionate share of the net pension liability (asset) | \$829,030 | \$802,519 | \$919,270 | \$1,044,572 | \$844,344 | \$629,838 | \$752,942 | Unavailable | Unavailable | Unavailable |
| Town's covered-employee payroll | \$285,076 | \$280,144 | \$314,339 | \$312,185 | \$288,305 | \$260,940 | \$263,494 | \$215,453 | \$215,452 | \$214,818 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 290.81% | 286.47% | 292.45% | 334.60% | 292.86% | 241.37% | 285.75% | Unavailable | Unavailable | Unavailable |
| Plan fiduciary net position as a percentage of the total pension liability | 71.01% | 71.89% | 70.08% | 66.04% | 70.73% | 75.10% | 66.71% | Unavailable | Unavailable | Unavailable |

*Amounts presented were determined as of the measurement date.

TOWN OF KINDER, LOUISIANA
General Fund
Schedule of Town's Contributions

Municipal Police Employee Retirement System (MPERS)

Last 10 Fiscal Years

| *Fiscal Year Ended June 30: | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$95,626 | \$ 91,937 | \$ 86,144 | \$ 99,803 | \$ 92,094 | \$ 90,816 | \$ 80,891 | \$ 69,826 | \$ 57,095 | \$ 53,863 |
| Contributions in relation to the contractually required contribution | <u>(95,626)</u> | <u>(91,937)</u> | <u>(86,144)</u> | <u>(99,803)</u> | <u>(92,094)</u> | <u>(90,816)</u> | <u>(80,891)</u> | <u>(69,826)</u> | <u>(57,095)</u> | <u>(53,863)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$294,626 | \$285,076 | \$280,144 | \$314,339 | \$312,185 | \$288,305 | \$260,940 | \$263,494 | \$215,453 | \$215,452 |
| Contribution as a percentage of cover-employee payroll | 32.50% | 32.25% | 30.75% | 31.75% | 29.5% | 31.5% | 31% | 26.5% | 26.5% | 25% |

*Amounts presented were determined as of the end of the fiscal year.

TOWN OF KINDER, LOUISIANA

Notes to Required Supplementary Information for the Year Ended June 30, 2020

(1) Budget and Budgetary Accounting

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

1. The Town Clerk prepares a proposed budget and presents it to the Mayor and Council prior to ninety days before the beginning of each fiscal year.
2. After the proposed budget is presented to the Mayor and Council, the Mayor publishes the proposed budget and notifies the public that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held by the Mayor and Council on the proposed budget at least ten days after publication of the call for the hearing.
4. Any changes in the proposed annual operating budget require a majority vote of the Mayor and Council.
5. No later than the last regular meeting of the fiscal year, the Mayor and Council adopt the annual operating budget for the ensuing fiscal year.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budget appropriations lapse at year-end.

(2) Excess of Expenditures Over Appropriations

Formal budgetary integration is employed as a management control device during the year, and encumbrance accounting is not used by the Town. Budgeted amounts included in the accompanying financial statements include the original adopted and final budget amounts. The budget was amended once during the year.

(3) Pension Information

The schedule of the Town's proportionate share of the net pension liability and the schedule of the Town's pension contributions are intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF KINDER, LOUISIANA
Enterprise Funds
Utility Funds

Schedule of Number of Utility Customers
(Unaudited)

June 30, 2020

Records maintained by the Town indicate the following number of customers being served during the months of June 2020, and June, 2019, respectively:

| <u>Department</u> | <u>2019</u> | | | <u>2020</u> | | |
|-------------------|-------------|------------|-------|-------------|------------|-------|
| | Residential | Commercial | Total | Residential | Commercial | Total |
| Gas (metered) | 770 | 86 | 856 | 777 | 86 | 863 |
| Water (metered) | 885 | 155 | 1,040 | 890 | 152 | 1,042 |
| Sewerage | 862 | 141 | 1,003 | 867 | 141 | 1,008 |

TOWN OF KINDER, LOUISIANA

Schedule of Insurance in Force
(Unaudited)

June 30, 2020

| Description of Coverage | Coverage Amounts |
|-----------------------------------------------------------------------------|------------------|
| Workmen's Compensation: | |
| Employer's liability - Bodily Injury by Disease Per Accident | \$ 1,000,000 |
| - Bodily Injury by Disease Policy Limit | 1,000,000 |
| - Bodily Injury by Accident Per Employee | 1,000,000 |
| Surety Bonds: | |
| Town clerk | 5,000 |
| Police clerk | 5,000 |
| Deputy clerks, each | 5,000 |
| General Liability: | |
| Town- | |
| Personal Injury/Property Damage | 500,000 |
| Aggregate | 1,000,000 |
| Police- | |
| Personal Injury/Property Damage | 500,000 |
| Aggregate | 1,000,000 |
| Public Officials' Error and Omissions | 500,000 |
| Fire, Extended Coverage, Blanket Policy: | |
| Buildings | 4,454,370 |
| Contents | 223,500 |
| Commercial Auto Comprehensive Liability and Collision (per vehicle): | |
| Collision | 500,000 |

TOWN OF KINDER, LOUISIANA
Schedule of Compensation Paid to Mayor and Council Members
For The Year Ended June 30, 2020

| | |
|----------------------------------------------------------|----------------------|
| DeWees, Maria | \$ 6,000 |
| Fontenot, Christopher | 6,000 |
| Fontenot, Claude | 6,000 |
| LaFargue, Wayland – Mayor | 29,266 |
| Tunwar, Latoya | 6,000 |
| Van Norman, Angela | <u>6,000</u> |
| Total Compensation Paid to Mayor and Council Members | <u>\$ 59,266</u> |

TOWN OF KINDER, LOUISIANA
Schedule of Compensation, Benefits and Other Payments to
Chief Executive Officer
For The Year Ended June 30, 2020

Chief Executive Officer: Wayland LaFargue, Mayor

| <u>Purpose</u> | <u>Amount</u> |
|----------------------------------------|---------------|
| Salary | \$29,266 |
| Benefits-insurance | -0- |
| Benefits-retirement | -0- |
| Benefits-cell phone | 938 |
| Car allowance | -0- |
| Vehicle provided by government | -0- |
| Per diem | 180 |
| Reimbursements | -0- |
| Travel | -0- |
| Registration fees | 250 |
| Conference travel | 354 |
| Continuing professional education fees | -0- |
| Housing | -0- |
| Unvouchered expenses | -0- |
| Special meals | -0- |

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

November 2, 2020

Honorable Wayland LaFargue, Mayor
and the Town Council
Town of Kinder, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Kinder, Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Kinder, Louisiana's basic financial statements and have issued our report thereon dated November 2, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Wayland LaFargue, Mayor
and the Town Council
Town of Kinder, Louisiana
November 2, 2020
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kinder, Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-1 C.

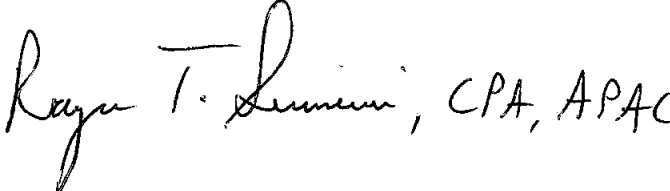
Town of Kinder, Louisiana's Response to Findings

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

Purpose of this Report

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

Royce T. Scimemi, CPA, APAC



**TOWN OF KINDER, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS AND
RESPONSES (UNAUDITED)
For The Year Ended June 30, 2020**

Finding #2020-1 C:

Local Governmental Budget Act Compliance

Management is monitoring revenues and expenditures monthly and amending the budget as necessary to comply with the Louisiana Local Governmental Budget Act.

Contact Person: Wayland LaFargue, Mayor of the Town of Kinder

**TOWN OF KINDER, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2020**

There were no prior year findings.