

# **TOWN OF KINDER, LOUISIANA**

## **ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2013**

***Royce T. Scimemi, CPA, APAC***  
**Oberlin, LA**

Town of Kinder, Louisiana

TABLE OF CONTENTS

|  | <u>Pages</u> |
|--|--------------|
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)</b>  | <b>4-13</b>  |
| <b>INDEPENDENT AUDITORS' REPORT</b>  | <b>14-15</b> |
| <b>BASIC FINANCIAL STATEMENTS:</b>   |              |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)  |              |
| Statement of Net Position  | 18           |
| Statement of Activities  | 19           |
| FUND FINANCIAL STATEMENTS (FFS)  |              |
| Balance Sheet - Governmental Funds   | 22-23        |
| Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position  | 24           |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  | 25-26        |
| Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | 27           |
| Statement of Net Position - Proprietary Funds  | 28           |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  | 29           |
| Statement of Cash Flows - Proprietary Funds  | 30           |
| NOTES TO BASIC FINANCIAL STATEMENTS  | 31-44        |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  |              |
| General Fund:  |              |
| Budgetary Comparison Schedule  | 46           |
| Departmental Expenditures - Budgetary Comparison Schedules   |              |
| General and Administrative   | 47           |
| Street Department  | 47           |
| Police Department  | 48           |
| Special Revenue Funds:   |              |
| Sales Tax Fund:  |              |
| Budgetary Comparison Schedule  | 49           |
| Gaming Fund:   |              |
| Budgetary Comparison Schedule  | 50           |
| Section 8 Housing Fund   |              |
| Budgetary Comparison Schedule  | 51           |
| Motor Vehicle Fund   |              |
| Budgetary Comparison Schedule  | 52           |

Town of Kinder, Louisiana

TABLE OF CONTENTS-CONTINUED

|  | <u>Pages</u> |
|--|--------------|
| <b>OTHER SUPPLEMENTARY INFORMATION</b>   |              |
| Schedule of Number of Utility Customers (Unaudited)  | 54           |
| Schedule of Insurance in Force   | 55           |
| Schedule of Compensation Paid to Mayor and Council Members   | 56           |
| <b>INDEPENDENT AUDITORS' REPORT 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</b> | 57-58        |
| <b>SCHEDULE OF FINDINGS AND RESPONSES</b>  | 59           |
| <b>MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS AND RESPONSES (UNAUDITED)</b>   | 60           |
| <b>SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</b>   | 61           |

## TOWN OF KINDER, LOUISIANA

### Management's Discussion and Analysis

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, 2013. 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 \$13,110,391 (net position) for the fiscal year reported.
- Total revenues of \$3,727,176 were exceeded by total expenses of \$3,995,195 which resulted in a current year deficit of \$268,019. In comparison, for the previous year ended June 30, 2012, the Town's total revenues of \$4,819,209 exceeded its total expenses of \$3,635,110, yielding a surplus of \$1,184,099.
- Total net position are comprised of the following:
  - (1) Capital assets, net of related debt, of \$9,290,089 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, 2012, the Town's net capital assets were \$9,560,415.
  - (2) For the fiscal years ended June 30, 2013 and 2012, respectively, net position of \$280,544 and \$256,653 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 \$3,539,758 and \$3,561,342 for the fiscal years ended June 30, 2013 and 2012, respectively.
- The Town's governmental funds reported total ending fund balance of \$3,337,784 this year. This compares to the prior year ending fund balance of \$3,292,093, reflecting an increase of \$45,691 during the current year. For the prior year ended June 30, 2012, an increase of \$82,439 was reported in the total ending fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$289,794, or 16% of total General Fund expenditures and 16% of total General Fund revenues including other financing sources. In comparison, for the fiscal year ended June 30, 2012, unassigned fund balance for the General Fund was \$291,028, or 16% of total General Fund expenditures and 16% of total General Fund revenues including other financing sources.
- Overall, the Town continues to maintain a strong financial position and is continuing to work to improve on this financial position.

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 (Continued)

#### 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 liabilities, 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, or 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 and the water and sewer systems.

The government-wide financial statements are presented on pages 18 and 19 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.

## TOWN OF KINDER, LOUISIANA

### Management's Discussion and Analysis (Continued)

The basic governmental fund financial statements are presented on pages 22 through 27 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.

The basic enterprise fund financial statements are presented on pages 28 through 30 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 31 of this report.

#### OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget presentations. The management's discussion and analysis and budgetary comparison statements are included as "required supplementary information" for the general fund and the major special revenue funds. These statements and schedules demonstrate compliance with the Town's adopted and final revised budgets. Required supplementary information can be found on pages 46 through 52 of this report.

As discussed, the Town reports major funds in the basic financial statements. The other supplementary information including the schedule of number of utility customers, the schedule of insurance in force, and the schedule of compensation paid to the Mayor and Council members are presented in a subsequent section of this report beginning on page 54.

# TOWN OF KINDER, LOUISIANA

## Management's Discussion and Analysis (Continued)

### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net position at fiscal year-end are \$13,110,391. The following table provides a summary of the Town's net position:

|  | <u>Summary of Net Position</u>     |                                     |                      |                             |
|--|------------------------------------|-------------------------------------|----------------------|-----------------------------|
|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         | <u>Percentage<br/>Total</u> |
| Assets:                                      |                                    |                                     |                      |                             |
| Current assets                               | \$ 3,412,721                       | \$ 821,425                          | \$ 4,234,146         | 24%                         |
| Capital assets                               | <u>5,021,523</u>                   | <u>8,736,613</u>                    | <u>13,758,136</u>    | <u>76</u>                   |
| Total assets                                 | <u>8,434,244</u>                   | <u>9,558,038</u>                    | <u>17,992,282</u>    | <u>100%</u>                 |
| Deferred outflows of resources               | <u>-</u>                           | <u>-</u>                            | <u>-</u>             | <u>100%</u>                 |
| Liabilities:                                 |                                    |                                     |                      |                             |
| Current liabilities                          | 194,541                            | 280,020                             | 474,561              | 10%                         |
| Long-term liabilities                        | <u>472,875</u>                     | <u>3,934,455</u>                    | <u>4,407,330</u>     | <u>90</u>                   |
| Total liabilities                            | <u>667,416</u>                     | <u>4,214,475</u>                    | <u>4,881,891</u>     | <u>100%</u>                 |
| Deferred inflows of resources                | <u>-</u>                           | <u>-</u>                            | <u>-</u>             | <u>100%</u>                 |
| Net Position:                                |                                    |                                     |                      |                             |
| Investment in capital<br>assets, net of debt | 4,531,523                          | 4,758,566                           | 9,290,089            | 71%                         |
| Restricted                                   | 67,598                             | 212,946                             | 280,544              | 2                           |
| Unrestricted                                 | <u>3,167,707</u>                   | <u>372,051</u>                      | <u>3,539,758</u>     | <u>27</u>                   |
| Total net position                           | <u>\$ 7,766,828</u>                | <u>\$ 5,343,563</u>                 | <u>\$ 13,110,391</u> | <u>100%</u>                 |

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 17.54 to 1 for governmental activities and 2.93 to 1 for business-type activities. This compares with the prior year's ratios of 19.21 to 1 and 3.08 to 1, respectively. For the Town overall, the current ratio is 11.2 to 1 while that same financial indicator was 9.66 to 1 for the fiscal year ended June 30, 2012. These ratios are strong.

The Town reported positive balances in net position for both governmental and business-type activities. For the fiscal years ended June 30, 2013 and 2012, respectively, net position increased (decreased) by \$39,750 and \$1,290,863 for governmental activities and by (\$307,769) and (\$106,764) for business-type activities. The Town's overall financial position deteriorated during the fiscal year ended in 2013.

Note that approximately 58% and 58% of the governmental activities' net position are tied up in capital assets as of June 30, 2013 and June 30, 2012, respectively. The Town uses these capital assets to provide services to its citizens. However, with business type activities, the Town has invested approximately 89% and 90% of its net position in capital assets during the respective fiscal years ended June 30, 2013 and 2012. 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, 2013 and 2012, 71% and 71% of the Town's total net position, net of debt, are included in capital assets.

# TOWN OF KINDER, LOUISIANA

## Management's Discussion and Analysis (Continued)

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

|                            | Governmental<br><u>Activities</u> | Business-Type<br><u>Activities</u> | <u>Total</u>         | Percentage<br><u>Total</u> |
|----------------------------|-----------------------------------|------------------------------------|----------------------|----------------------------|
| Revenues:                  |                                   |                                    |                      |                            |
| Program:                   |                                   |                                    |                      |                            |
| Charges for services/fines | \$ 496,252                        | \$ 1,537,916                       | \$ 2,034,168         | 55%                        |
| Operating grants           | 373,389                           | -                                  | 373,389              | 10                         |
| Capital grants             | 62,091                            | 33,000                             | 95,091               | 2                          |
| General:                   |                                   |                                    |                      |                            |
| Sales taxes                | 621,817                           | -                                  | 621,817              | 17                         |
| Other taxes                | 287,663                           | -                                  | 287,663              | 8                          |
| Interest                   | 45,312                            | 750                                | 46,062               | 1                          |
| Other                      | <u>268,986</u>                    | <u>-</u>                           | <u>268,986</u>       | <u>7</u>                   |
| Total Revenues             | <u>2,155,510</u>                  | <u>1,571,666</u>                   | <u>3,727,176</u>     | <u>100%</u>                |
| Program expenses:          |                                   |                                    |                      |                            |
| General government         | 593,195                           | -                                  | 593,195              | 15%                        |
| Public safety:             |                                   |                                    |                      |                            |
| Police                     | 1,248,543                         | -                                  | 1,248,543            | 31                         |
| Streets                    | 264,561                           | -                                  | 264,561              | 6                          |
| Section 8 housing          | 228,142                           | -                                  | 228,142              | 6                          |
| Interest                   | 21,826                            | -                                  | 21,826               | 1                          |
| Utility expenses           | <u>-</u>                          | <u>1,638,928</u>                   | <u>1,638,928</u>     | <u>41</u>                  |
| Total Expenses             | <u>2,356,267</u>                  | <u>1,638,928</u>                   | <u>3,995,195</u>     | <u>100%</u>                |
| Excess (deficiency)        | (200,757)                         | (67,262)                           | (268,019)            |                            |
| Transfers                  | <u>240,507</u>                    | <u>(240,507)</u>                   | <u>-</u>             |                            |
| Change in net position     | 39,750                            | (307,769)                          | (268,019)            |                            |
| Beginning net position     | <u>7,727,078</u>                  | <u>5,651,332</u>                   | <u>13,378,410</u>    |                            |
| Ending net position        | <u>\$ 7,766,828</u>               | <u>\$ 5,343,563</u>                | <u>\$ 13,110,391</u> |                            |



## TOWN OF KINDER, LOUISIANA

### Management's Discussion and Analysis (Continued)

#### 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 19% in the prior year. Also note that program revenues cover only 40% (85% in the year ended June 30, 2012) of governmental operating expenses. This means that the government's taxpayers and the Town's other general revenues fund 60% (15% 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, 2013 and 2012, respectively, police services comprised 31% and 33% of the Town's total expenses and 53% and 49% 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    |                           |                                   |
|----------------------------|---------------------------|-----------------------------------|
|                            | Total Cost<br>of Services | Net Cost (Benefit)<br>of Services |
| General government         | \$ 593,195                | \$ 384,761                        |
| Public safety:             |                           |                                   |
| Police                     | 1,248,543                 | 808,916                           |
| Streets                    | 264,561                   | 264,561                           |
| Section 8 Housing          | 228,142                   | (55,529)                          |
| Interest on long-term debt | 21,826                    | 21,826                            |
| Total                      | <u>\$ 2,356,267</u>       | <u>\$ 1,424,535</u>               |

#### BUSINESS-TYPE ACTIVITIES

##### Revenues vs. Costs

Utility fund operating revenues increased 0.2% over prior year figures, while operating expenses increased 25%. In comparison, the fiscal year ended in 2012 reflected operating revenues for utility funds at 7% less than the previous year and operating expenses at 5% less than that the previous year. Within the total business-type activities of the Town, these activities reported a \$74,025 operating income compared to an operating income of \$355,739 for the prior year.

However, after non-operating revenues, expenses, and operating transfers, the funds reported a loss of \$307,769, which compares with the overall fund loss of \$106,764 experienced in the year ended June 30, 2012.

#### 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 \$3,337,784 and \$3,292,093, for the fiscal years ended June 30, 2013 and 2012, respectively. Of these year-end totals, \$289,794 and \$291,028 were unassigned for the respective years, indicating availability for continuing Town service requirements. Legally restricted fund balances included

## TOWN OF KINDER, LOUISIANA

### Management's Discussion and Analysis (Continued)

\$67,598 and \$71,206 committed to police services in the years ended June 30, 2013 and 2012, respectively. Assigned fund balances were \$2,980,392 and \$2,858,650 in the years ended June 30, 2013 and 2012, respectively.

The total ending fund balances of governmental funds show an increase of \$45,691. This compares with an increase of \$82,439 experienced in the prior fiscal year ended June 30, 2012.

#### 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 \$4,842 in the current fiscal year, while in the fiscal year ended June 30, 2012, the fund balance decreased by \$76,405. 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 an increase of \$8,681 or 1% more than the prior year, while in the fiscal year ended June 30, 2012, such revenues increased \$155,432 or 5% more than the preceding year. The expenditures side shows a decrease of \$118,560 or 6% less than the prior year. In comparison, the prior year expenditures decreased by \$6,736,896, which was 65% less than the preceding fiscal year.

The General Fund's ending fund balance was less than the prior year representing the equivalent of 20% of its annual expenditures and 20% of its annual revenues including operating transfers.

The Sales Tax Fund continues to maintain a strong fund balance with revenues in 2013 being 14% less than those earned in the fiscal year ended June 30, 2012, which had experienced a 31% increase from the preceding year primarily due to a grant received during the year.

The Gaming Fund continues to maintain a strong fund balance as revenues in 2013 were 2% less than those earned in the fiscal year ended June 30, 2012.

The Section 8 Housing Fund continues to maintain a strong fund balance as revenues in 2013 are virtually identical to those earned in fiscal year ended June 30, 2012.

The Motor Vehicle Fund continues to maintain a moderate fund balance as revenues in 2013 were 26% less than those earned in fiscal year ended June 30, 2012.

#### THE PROPRIETARY FUNDS

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

## TOWN OF KINDER, LOUISIANA

### Management's Discussion and Analysis (Continued)

#### 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 \$45,910 increase and a \$68,012 decrease, respectively, in relation to the prior year's final budget. The primary change in the General Fund's budget relates to increases in grant income and police department expenditures. The actual revenues exceeded the final budget by \$157,593 or 19% and the actual expenditures were less than the final budget by \$7,394 or 0.4%.

The Sales Tax Fund - Both the revenue and expenditure sides of the current year final budget for the Sales Tax Fund were revised by a \$44,184 increase and a \$156,580 increase, respectively in relation to the prior year's final budget. The primary change in the Sales Tax Fund's budget relates to the increases in grant income and capital outlays. The actual revenues were exceeded by the final budget revenues by \$36,242 or 4.8% and the actual expenditures were less than the final budget by \$57,429 or 14.8%.

The Gaming Fund - The revenue side of the current year's final budget for the Gaming Fund was revised by a \$3,273 decrease in relation to the prior years final budget. The primary change in the Gaming Fund's budget relates to the overall increase in police expenditures for salaries and capital outlays. The actual revenues exceeded the final budgeted revenues by \$4,497 or 2% and the actual expenditures were exceeded by the final budget by \$165,000 or 100%.

The Section 8 Housing Fund - The revenue side of the current year's final budget for the Section 8 Housing Fund was revised by a \$3,866 increase in relation to the prior year's final budget. The primary change in the Section 8 Housing Fund's budget relates to the overall decrease in housing assistance expenditures to citizens of Kinder. The actual revenues were exceeded by the final budgeted revenues by \$5,968 or 2% and the actual expenditures were exceeded by the final budget by \$6,858 or 3%.

The Motor Vehicle Fund - The revenue side of the current year's final budget for the Motor Vehicle Fund was revised by a \$1,876 decrease in relation to the prior year's final budget. The primary change in the Motor Vehicle Fund's budget relates to an overall increase in administrative expenditures. The actual revenues exceeded budgeted revenues by \$306 or 5% and the actual expenditures were exceeded by budgeted expenditures by \$13,010 or 100%.

# TOWN OF KINDER, LOUISIANA

## Management's Discussion and Analysis (Continued)

### 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, 2013, were \$5,021,523 and \$8,736,613, respectively, while those figures as of June 30, 2012, were \$5,075,882 and \$9,104,363 respectively. The overall decrease was 3% for the Town as a whole. See Note D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

|                               | Capital Assets          |              |                          |              |               |               |
|-------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
|                               | Governmental Activities |              | Business-Type Activities |              | Total         |               |
|                               | 2013                    | 2012         | 2013                     | 2012         | 2013          | 2012          |
| Non-depreciable assets:       |                         |              |                          |              |               |               |
| Land                          | \$ 433,968              | \$ 433,968   | \$ 15,300                | \$ 15,300    | \$ 449,268    | \$ 449,268    |
| Total non-depreciable         | 433,968                 | 433,968      | 15,300                   | 15,300       | 449,268       | 449,268       |
| Depreciable assets:           |                         |              |                          |              |               |               |
| Buildings & plants            | 2,598,197               | 2,584,006    | 14,420,687               | 14,206,399   | 17,018,884    | 16,790,405    |
| Furniture & equipment         | 1,098,799               | 1,069,364    | -                        | -            | 1,098,799     | 1,069,364     |
| Infrastructure                | 3,407,449               | 3,290,116    | -                        | -            | 3,407,449     | 3,290,116     |
| Total depreciable assets      | 7,104,445               | 6,943,486    | 14,420,687               | 14,206,399   | 21,525,132    | 21,149,885    |
| Less accumulated depreciation | 2,516,890               | 2,301,572    | 5,699,374                | 5,117,336    | 8,216,264     | 7,418,908     |
| Book value-depreciable assets | \$ 4,587,555            | \$ 4,641,914 | \$ 8,721,313             | \$ 9,089,063 | \$ 13,308,868 | \$ 13,730,977 |
| Percentage depreciated        | 35%                     | 33%          | 40%                      | 36%          | 38%           | 35%           |
| Book value-all assets         | \$ 5,021,523            | \$ 5,075,882 | \$ 8,736,613             | \$ 9,104,363 | \$ 13,758,136 | \$ 14,180,245 |

The depreciable capital assets for governmental activities were 35% and 33% depreciated for the fiscal years ended June 30, 2013 and June 30, 2012, respectively. This comparison indicates that the Town is replacing its assets at the rate faster than they are depreciating.

The major additions are:

- 2 police cars
- 13<sup>th</sup> Street sidewalk project
- Street overlay

With the Town's business-type activities, 40% of the asset values were depreciated at June 30, 2013 compared to 36% at June 30, 2012.

The major additions are:

- 14<sup>th</sup> Street drainage project
- 14<sup>th</sup> Street water line project
- Water tank rehabilitation

## TOWN OF KINDER, LOUISIANA

### Management's Discussion and Analysis (Continued)

#### Long-term debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$4,565,922. 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 \$62,615 and retired \$151,782 in long-term debt. See Note G for additional information regarding long-term debt.

#### ECONOMIC CONDITIONS AFFECTING THE TOWN

The Town's primary 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 current compact with the Coushatta Tribe of Louisiana began in 2001 and automatically renewed in 2010. The gaming revenues to be submitted to the Town were scheduled in that compact to be at \$410,000 per year to assist with increased critical services like fire protection, police protection, and construction, maintenance, and repair of municipal infrastructure and housing. Recent gaming payments to the Town for the current fiscal year amount to a little under \$44,000 per quarter. This represents a decrease of 57% of the funding from the original compact.

#### 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.

# ROYCE T. SCIMEMI, CPA, APAC



## CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 210  
Oberlin, LA 70655  
Tele (337) 639-4334, Fax (337) 639-4068

Member  
American Institute of  
Certified Public Accountants

Member  
Society of Louisiana  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

November 4, 2013

Honorable Estes LeDoux, 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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 46 through 52 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.

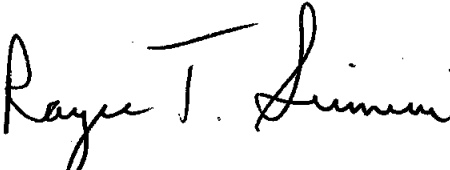
#### *Other Information*

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, and schedule of compensation paid to the Mayor and Council Members are presented on pages 54-56 for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of number of utility customers, schedule of insurance, and schedule of compensation paid to Mayor and Council Members are the responsibility of management and were 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 schedule of number of utility customers, schedule of insurance, and schedule of compensation paid to Mayor and Council Members are 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 4, 2013, 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 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 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

 , CPA, APAC

## BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

Town of Kinder, LA  
Statement of Net Position  
June 30, 2013

|   | Governmental<br><u>Activities</u> | Business-Type<br><u>Activities</u> | <u>Totals</u>        |
|---|-----------------------------------|------------------------------------|----------------------|
| <b>ASSETS</b>                                   |                                   |                                    |                      |
| Cash  | \$ 1,143,529                      | \$ 397,549                         | \$ 1,541,078         |
| Investments                                     | 1,953,534                         | -                                  | 1,953,534            |
| Receivables                                     | 248,060                           | 210,930                            | 458,990              |
| Restricted cash                                 | 67,598                            | 167,131                            | 234,729              |
| Restricted investments                          | -                                 | 45,799                             | 45,799               |
| Restricted receivables                          | -                                 | 16                                 | 16                   |
| Capital assets:                                 |                                   |                                    |                      |
| Land  | 433,968                           | 15,300                             | 449,268              |
| Capital assets, net                             | <u>4,587,555</u>                  | <u>8,721,313</u>                   | <u>13,308,868</u>    |
| Total assets                                    | <u>8,434,244</u>                  | <u>9,558,038</u>                   | <u>17,992,282</u>    |
| <br>DEFERRED OUTFLOW OF RESOURCES               | <br><u>-</u>                      | <br><u>-</u>                       | <br><u>-</u>         |
| <b>LIABILITIES</b>                              |                                   |                                    |                      |
| Accounts and other accrued payables             | 74,937                            | 65,589                             | 140,526              |
| Customer meter deposits                         | -                                 | 170,839                            | 170,839              |
| Interest payable                                | 4,604                             | -                                  | 4,604                |
| Long-term liabilities:                          |                                   |                                    |                      |
| Accrued compensated absences                    | 97,875                            | -                                  | 97,875               |
| Due within one year                             | 115,000                           | 43,592                             | 158,592              |
| Due after one year                              | <u>375,000</u>                    | <u>3,934,455</u>                   | <u>4,309,455</u>     |
| Total liabilities                               | <u>667,416</u>                    | <u>4,214,475</u>                   | <u>4,881,891</u>     |
| <br>DEFERRED INFLOW OF RESOURCES                | <br><u>-</u>                      | <br><u>-</u>                       | <br><u>-</u>         |
| <b>NET POSITION</b>                             |                                   |                                    |                      |
| Invested in capital assets, net of related debt | 4,531,523                         | 4,758,566                          | 9,290,089            |
| Restricted                                      | 67,598                            | 212,946                            | 280,544              |
| Unrestricted                                    | <u>3,167,707</u>                  | <u>372,051</u>                     | <u>3,539,758</u>     |
| Total net position                              | <u>\$ 7,766,828</u>               | <u>\$ 5,343,563</u>                | <u>\$ 13,110,391</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

|  | Program Revenues                        |  |  | Net (Expenses) Revenues and<br>Changes in Net Position |                             |                    |
|--|---|--|--|--|-----------------------------|--------------------|
|  | Fees, Fines and<br>Charges for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                             | Business-Type<br>Activities | Total              |
| <b>Activities</b>  |   |  |  |  |                             |                    |
| <b>Governmental activities:</b>                              |   |  |  |  |                             |                    |
| General and administrative                                   | \$ 593,195                              | \$ 11,703                                | \$ 62,091                              | \$ (384,761)   | \$ -                        | \$ (384,761)       |
| Streets  | 264,561                                 | -  | -                                      | (264,561)  | -                           | (264,561)          |
| Police   | 1,248,543                               | 78,015                                   | -                                      | (808,916)  | -                           | (808,916)          |
| Section 8 housing  | 228,142                                 | 283,671                                  | -                                      | 55,529   | -                           | 55,529             |
| Interest on long-term debt                                   | 21,826                                  | -  | -                                      | (21,826)   | -                           | (21,826)           |
| Total Governmental Activities                                | 2,356,267                               | 373,389                                  | 62,091                                 | (1,424,535)  | -                           | (1,424,535)        |
| <b>Business-Type activities:</b>                             |   |  |  |  |                             |                    |
| Water  | 423,047                                 | -  | 33,000                                 | -  | (45,283)                    | (45,283)           |
| Sewer  | 649,151                                 | -  | -                                      | -  | (244,392)                   | (244,392)          |
| Gas  | 566,730                                 | -  | -                                      | -  | 221,663                     | 221,663            |
| Total Business-Type Activities                               | 1,638,928                               | -  | 33,000                                 | -  | (68,012)                    | (68,012)           |
| <b>Totals</b>  | <b>\$ 3,995,195</b>                     | <b>\$ 373,389</b>                        | <b>\$ 95,091</b>                       | <b>(1,424,535)</b>                                     | <b>(68,012)</b>             | <b>(1,492,547)</b> |
| <b>General revenues:</b>                                     |   |  |  |  |                             |                    |
| Taxes -  |   |  |  |  |                             |                    |
| Property taxes, levied for general purposes                  |   |  |  | 148,296  | -                           | 148,296            |
| Sales and use taxes, levied for general purposes             |   |  |  | 621,817  | -                           | 621,817            |
| Franchise taxes  |   |  |  | 139,367  | -                           | 139,367            |
| Grants and contributions not restricted to specific programs |   |  |  |  |                             |                    |
| Local sources  |   |  |  | 175,212  | -                           | 175,212            |
| Interest and investment earnings                             |   |  |  | 45,312   | 750                         | 46,062             |
| Miscellaneous  |   |  |  | 93,774   | -                           | 93,774             |
| Transfers  |   |  |  | 240,507  | (240,507)                   | -                  |
| Total general revenues                                       |   |  |  | 1,464,285  | (239,757)                   | 1,224,528          |
| Change in net position                                       |   |  |  | 39,750   | (307,769)                   | (268,019)          |
| Net position - Beginning                                     |   |  |  | 7,727,078  | 5,651,332                   | 13,378,410         |
| Net position - Ending  |   |  |  | \$ 7,766,828   | \$ 5,343,563                | \$13,110,391       |

The accompanying notes are an integral part of these financial statements.

**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 Revenue Fund

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

#### Section 8 Housing Fund

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

#### Motor Vehicle Fund

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

### 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 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, 2013

|  |                         | <u>Special Revenue</u>    |                        |
|--|-------------------------|---------------------------|------------------------|
|  | <u>General<br/>Fund</u> | <u>Sales Tax<br/>Fund</u> | <u>Gaming<br/>Fund</u> |
| <b>ASSETS</b>                          |                         |                           |                        |
| Cash                                   | \$ 167,838              | \$ 781,651                | \$ 57,432              |
| Investments                            | 100,207                 | 1,268,846                 | 478,078                |
| Receivables:                           |                         |                           |                        |
| Taxes                                  | -                       | 107,135                   | -                      |
| Gaming                                 | -                       | -                         | 44,419                 |
| Interest                               | 12                      | 339                       | 118                    |
| Accounts                               | -                       | -                         | -                      |
| Other                                  | 89,247                  | -                         | -                      |
| Due from other governments             | 3,650                   | 3,048                     | -                      |
| Restricted assets:                     |                         |                           |                        |
| Cash                                   | <u>67,598</u>           | <u>-</u>                  | <u>-</u>               |
| TOTAL ASSETS                           | <u>\$ 428,552</u>       | <u>\$ 2,161,019</u>       | <u>\$ 580,047</u>      |
| DEFERRED OUTFLOW OF RESOURCES          | <u>-</u>                | <u>-</u>                  | <u>-</u>               |
| <b>LIABILITIES AND FUND BALANCES</b>   |                         |                           |                        |
| <b>LIABILITIES</b>                     |                         |                           |                        |
| Accounts payable                       | \$ 71,160               | \$ 3,777                  | \$ -                   |
| TOTAL LIABILITIES                      | <u>71,160</u>           | <u>3,777</u>              | <u>-</u>               |
| DEFERRED INFLOW OF RESOURCES           | <u>-</u>                | <u>-</u>                  | <u>-</u>               |
| <b>FUND BALANCES</b>                   |                         |                           |                        |
| Restricted                             | 67,598                  | -                         | -                      |
| Assigned                               | -                       | 2,157,242                 | 580,047                |
| Unassigned                             | <u>289,794</u>          | <u>-</u>                  | <u>-</u>               |
| Total fund balances                    | <u>357,392</u>          | <u>2,157,242</u>          | <u>580,047</u>         |
| TOTAL LIABILITIES AND FUND<br>BALANCES | <u>\$ 428,552</u>       | <u>\$ 2,161,019</u>       | <u>\$ 580,047</u>      |

The accompanying notes are an integral part of these financial statements.

Special Revenue

| <u>Section 8<br/>Housing<br/>Fund</u> | <u>Motor<br/>Vehicle<br/>Fund</u> | <u>Totals</u>       |
|---------------------------------------|-----------------------------------|---------------------|
| \$ 125,678                            | \$ 10,930                         | \$ 1,143,529        |
| 106,403                               | -                                 | 1,953,534           |
| -                                     | -                                 | 107,135             |
| -                                     | -                                 | 44,419              |
| 92                                    | -                                 | 561                 |
| -                                     | -                                 | -                   |
| -                                     | -                                 | 89,247              |
| -                                     | -                                 | 6,698               |
| -                                     | -                                 | 67,598              |
| <u>\$ 232,173</u>                     | <u>\$ 10,930</u>                  | <u>\$ 3,412,721</u> |
| -                                     | -                                 | -                   |
| <u>\$ -</u>                           | <u>\$ -</u>                       | <u>\$ 74,937</u>    |
| -                                     | -                                 | 74,937              |
| -                                     | -                                 | -                   |
| -                                     | -                                 | 67,598              |
| 232,173                               | 10,930                            | 2,980,392           |
| -                                     | -                                 | 289,794             |
| <u>232,173</u>                        | <u>10,930</u>                     | <u>3,337,784</u>    |
| <u>\$ 232,173</u>                     | <u>\$ 10,930</u>                  | <u>\$ 3,412,721</u> |

TOWN OF KINDER, LOUISIANA  
Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Position  
June 30, 2013

Total fund balance for governmental funds at June 30, 2013: \$ 3,337,784

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

|   |                  |           |
|---|------------------|-----------|
| Land  | \$ 433,968       |           |
| Capital assets, net of \$2,516,890 accumulated depreciation | <u>4,587,555</u> | 5,021,523 |

Long-term liabilities, and accrued interest thereon, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Long-term liabilities at June 30, 2013:

|                                      |                 |                  |
|--------------------------------------|-----------------|------------------|
| Certificates of indebtedness payable | (490,000)       |                  |
| Accrued interest payable             | (4,604)         |                  |
| Compensated absences payable         | <u>(97,875)</u> | <u>(592,479)</u> |

Total net position of governmental activities at June 30, 2013 \$ 7,766,828

The accompanying notes are an integral part of these financial statements.



TOWN OF KINDER, LOUISIANA  
Statement of Revenues, Expenditures  
and Changes in Fund Balances –  
Governmental Funds  
Year Ended June 30, 2013

|  |                   | Special Revenue     |                   |
|--|-------------------|---------------------|-------------------|
|  | General<br>Fund   | Sales Tax<br>Fund   | Gaming<br>Fund    |
| REVENUES   |                   |                     |                   |
| Taxes  | \$ 287,663        | \$ 621,817          | \$ -              |
| Licenses and permits   | 134,640           | -                   | -                 |
| Intergovernmental  | 89,718            | 62,091              | -                 |
| Fines  | 361,612           | -                   | -                 |
| Special assessments  | -                 | -                   | -                 |
| Interest   | 5,612             | 28,118              | 10,746            |
| Miscellaneous  | 87,468            | -                   | -                 |
| Gaming   | -                 | -                   | 175,212           |
| TOTAL REVENUES   | <u>966,713</u>    | <u>712,026</u>      | <u>185,958</u>    |
| EXPENDITURES   |                   |                     |                   |
| General government   | 448,188           | 62,864              | -                 |
| Public safety:   |                   |                     |                   |
| Police   | 1,137,259         | -                   | -                 |
| Streets  | 157,112           | -                   | -                 |
| Section 8 housing  | -                 | -                   | -                 |
| Capital outlay   | 46,950            | 134,071             | -                 |
| Debt service:  |                   |                     |                   |
| Principal retirement   | -                 | 110,000             | -                 |
| Interest   | -                 | 22,860              | -                 |
| TOTAL EXPENDITURES   | <u>1,789,509</u>  | <u>329,795</u>      | <u>-</u>          |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | <u>(822,796)</u>  | <u>382,231</u>      | <u>185,958</u>    |
| OTHER FINANCING SOURCES (USES)                               |                   |                     |                   |
| Operating transfers  | <u>817,954</u>    | <u>(391,102)</u>    | <u>(173,435)</u>  |
| TOTAL OTHER FINANCING<br>SOURCES (USES)                      | <u>817,954</u>    | <u>(391,102)</u>    | <u>(173,435)</u>  |
| NET CHANGES IN FUND BALANCES                                 | (4,842)           | (8,871)             | 12,523            |
| Fund Balances, Beginning                                     | <u>362,234</u>    | <u>2,166,113</u>    | <u>567,524</u>    |
| Fund Balances, Ending  | <u>\$ 357,392</u> | <u>\$ 2,157,242</u> | <u>\$ 580,047</u> |

The accompanying notes are an integral part of these financial statements.

| <u>Special Revenue</u>                |                                   |                     |
|---------------------------------------|-----------------------------------|---------------------|
| <u>Section 8<br/>Housing<br/>Fund</u> | <u>Motor<br/>Vehicle<br/>Fund</u> | <u>Totals</u>       |
| \$ -                                  | \$ -                              | \$ 909,480          |
| -                                     | -                                 | 134,640             |
| 283,671                               | -                                 | 435,480             |
| -                                     | -                                 | 361,612             |
| -                                     | 6,306                             | 6,306               |
| 831                                   | 5                                 | 45,312              |
| -                                     | -                                 | 87,468              |
| -                                     | -                                 | 175,212             |
| <u>284,502</u>                        | <u>6,311</u>                      | <u>2,155,510</u>    |
| 2,880                                 | -                                 | 513,932             |
| -                                     | -                                 | 1,137,259           |
| -                                     | -                                 | 157,112             |
| 228,142                               | -                                 | 228,142             |
| -                                     | -                                 | 181,021             |
| -                                     | -                                 | 110,000             |
| <u>-</u>                              | <u>-</u>                          | <u>22,860</u>       |
| <u>231,022</u>                        | <u>-</u>                          | <u>2,350,326</u>    |
| <u>53,480</u>                         | <u>6,311</u>                      | <u>(194,816)</u>    |
| <u>-</u>                              | <u>(12,910)</u>                   | <u>240,507</u>      |
| <u>-</u>                              | <u>(12,910)</u>                   | <u>240,507</u>      |
| 53,480                                | (6,599)                           | 45,691              |
| <u>178,693</u>                        | <u>17,529</u>                     | <u>3,292,093</u>    |
| <u>\$ 232,173</u>                     | <u>\$ 10,930</u>                  | <u>\$ 3,337,784</u> |

TOWN OF KINDER, LOUISIANA  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds to the Statement of Activities  
Year Ended June 30, 2013

|  |           |
|--|-----------|
| Total net changes in fund balances at June 30, 2013 per Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 45,691 |
|--|-----------|

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

|   |                  |          |
|---|------------------|----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays which are considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 181,021       |          |
| Basis in assets disposed of during year ended June 30, 2013   | (5,237)          |          |
| Depreciation expense for the year ended June 30, 2013   | <u>(230,144)</u> | (54,360) |

|  |         |
|--|---------|
| Governmental funds report bond repayments and capital lease principal payments as expenditures. However, this expenditure does not appear in the Statement of Activities since the payment is applied against the liability on the Statement of Net Position | 110,000 |
|--|---------|

|  |       |
|--|-------|
| Difference between interest on long-term debt on modified accrual basis versus interest on long-term debt on accrual basis | 1,034 |
|--|-------|

|  |                 |
|--|-----------------|
| Governmental funds do not report compensated absences as expenditures. However, this payable does appear in the Statement of Net Position and the expense is reported on the Statement of Activities | <u>(62,615)</u> |
|--|-----------------|

|  |                  |
|--|------------------|
| Total changes in net position at June 30, 2013 per Statement of Activities | <u>\$ 39,750</u> |
|--|------------------|

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
Statement of Net Position - Proprietary Funds  
June 30, 2013

|  | Business-Type Activities |                     |                   |                     |
|--|--------------------------|---------------------|-------------------|---------------------|
|  | Water<br>Fund            | Sewer<br>Fund       | Gas<br>Fund       | Totals              |
| <b>ASSETS</b>                                      |                          |                     |                   |                     |
| Current assets                                     |                          |                     |                   |                     |
| Cash   | \$ 120,359               | \$ 132,944          | \$ 144,246        | \$ 397,549          |
| Receivables:                                       |                          |                     |                   |                     |
| Account  | 65,835                   | 28,162              | 116,933           | 210,930             |
| Total current assets                               | <u>186,194</u>           | <u>161,106</u>      | <u>261,179</u>    | <u>608,479</u>      |
| Restricted assets                                  |                          |                     |                   |                     |
| Cash   | -                        | 42,107              | -                 | 42,107              |
| Customer deposits                                  |                          |                     |                   |                     |
| Cash   | 125,024                  | -                   | -                 | 125,024             |
| Investments  | 15,114                   | -                   | 30,685            | 45,799              |
| Accrued interest receivable                        | 8                        | -                   | 8                 | 16                  |
| Total restricted assets                            | <u>140,146</u>           | <u>42,107</u>       | <u>30,693</u>     | <u>212,946</u>      |
| Capital assets:                                    |                          |                     |                   |                     |
| Land   | -                        | 15,300              | -                 | 15,300              |
| Capital assets, net                                | <u>910,687</u>           | <u>7,596,365</u>    | <u>214,261</u>    | <u>8,721,313</u>    |
| Total capital assets                               | <u>910,687</u>           | <u>7,611,665</u>    | <u>214,261</u>    | <u>8,736,613</u>    |
| <b>TOTAL ASSETS</b>                                | <u>\$ 1,237,027</u>      | <u>\$ 7,814,878</u> | <u>\$ 506,133</u> | <u>\$ 9,558,038</u> |
| <b>LIABILITIES</b>                                 |                          |                     |                   |                     |
| Current liabilities:                               |                          |                     |                   |                     |
| Accounts and other payables                        | \$ 32,131                | \$ 883              | \$ 32,575         | \$ 65,589           |
| Revenue bonds payable                              | -                        | 43,592              | -                 | 43,592              |
| Total current liabilities                          | <u>32,131</u>            | <u>44,475</u>       | <u>32,575</u>     | <u>109,181</u>      |
| Noncurrent liabilities:                            |                          |                     |                   |                     |
| Revenue bonds payable                              | -                        | 3,934,455           | -                 | 3,934,455           |
| Customers' deposits                                | 65,440                   | -                   | 105,399           | 170,839             |
| Total noncurrent liabilities                       | <u>65,440</u>            | <u>3,934,455</u>    | <u>105,399</u>    | <u>4,105,294</u>    |
| Total liabilities                                  | <u>97,571</u>            | <u>3,978,930</u>    | <u>137,974</u>    | <u>4,214,475</u>    |
| <b>NET POSITION</b>                                |                          |                     |                   |                     |
| Invested in capital assets,<br>net of related debt | 910,687                  | 3,633,618           | 214,261           | 4,758,566           |
| Restricted   | 140,146                  | 42,107              | 30,693            | 212,946             |
| Unrestricted                                       | 88,623                   | 160,223             | 123,205           | 372,051             |
| Total net position                                 | <u>\$ 1,139,456</u>      | <u>\$ 3,835,948</u> | <u>\$ 368,159</u> | <u>\$ 5,343,563</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
Statement of Revenues, Expenses  
and Changes in Net Position - Proprietary Funds  
Year Ended June 30, 2013

|   | Business-Type Activities |                     |                   |                     |
|---|--------------------------|---------------------|-------------------|---------------------|
|   | Water<br>Fund            | Sewer<br>Fund       | Gas<br>Fund       | Total               |
| OPERATING REVENUES                          |                          |                     |                   |                     |
| Charges for services                        | \$ 325,325               | \$ 404,759          | \$ 788,391        | \$ 1,518,475        |
| Miscellaneous                               | <u>4</u>                 | <u>-</u>            | <u>2</u>          | <u>6</u>            |
| Total Operating Revenues                    | <u>325,329</u>           | <u>404,759</u>      | <u>788,393</u>    | <u>1,518,481</u>    |
| OPERATING EXPENSES                          |                          |                     |                   |                     |
| Audit fees                                  | -                        | -                   | 4,363             | 4,363               |
| Contract labor                              | -                        | -                   | 22,032            | 22,032              |
| Depreciation                                | 106,336                  | 452,169             | 23,533            | 582,038             |
| Dues  | 250                      | -                   | 125               | 375                 |
| Insurance                                   | 16,037                   | -                   | 14,870            | 30,907              |
| Materials and supplies                      | 23,014                   | 75                  | 11,331            | 34,420              |
| Miscellaneous                               | 1,943                    | 347                 | 2,681             | 4,971               |
| Office supplies                             | 5,998                    | -                   | 3,501             | 9,499               |
| Salaries                                    | 61,857                   | -                   | 75,671            | 137,528             |
| Payroll taxes                               | 5,033                    | -                   | 8,272             | 13,305              |
| Professional services                       | 215                      | 21,700              | 1,300             | 23,215              |
| Retirement                                  | -                        | -                   | 2,136             | 2,136               |
| Repairs and maintenance                     | 6,850                    | 165                 | 16,068            | 23,083              |
| Telephone                                   | -                        | -                   | 1,500             | 1,500               |
| Travel                                      | 1,460                    | 40                  | 3,027             | 4,527               |
| Utilities                                   | 30,628                   | -                   | 1,164             | 31,792              |
| Water and gas purchases                     | <u>163,426</u>           | <u>-</u>            | <u>355,339</u>    | <u>518,765</u>      |
| Total Operating Expenses                    | <u>423,047</u>           | <u>474,496</u>      | <u>546,913</u>    | <u>1,444,456</u>    |
| OPERATING INCOME (LOSS)                     | (97,718)                 | (69,737)            | 241,480           | 74,025              |
| NON-OPERATING REVENUES (EXPENSES)           |                          |                     |                   |                     |
| Bad debt (expense) recovery                 | 19,435                   | (4,620)             | (19,817)          | (5,002)             |
| Intergovernmental                           | 33,000                   | -                   | -                 | 33,000              |
| Interest expense                            | -                        | (170,035)           | -                 | (170,035)           |
| Interest income                             | <u>296</u>               | <u>94</u>           | <u>360</u>        | <u>750</u>          |
| Total Non-Operating Revenues (Expenses)     | <u>52,731</u>            | <u>(174,561)</u>    | <u>(19,457)</u>   | <u>(141,287)</u>    |
| INCOME (LOSS) BEFORE<br>OPERATING TRANSFERS | (44,987)                 | (244,298)           | 222,023           | (67,262)            |
| OTHER FINANCING SOURCES (USES)              |                          |                     |                   |                     |
| Operating transfers                         | <u>33,638</u>            | <u>(138,001)</u>    | <u>(136,144)</u>  | <u>(240,507)</u>    |
| CHANGES IN NET POSITION                     | (11,349)                 | (382,299)           | 85,879            | (307,769)           |
| NET POSITION, BEGINNING                     | <u>1,150,805</u>         | <u>4,218,247</u>    | <u>282,280</u>    | <u>5,651,332</u>    |
| NET POSITION, ENDING                        | <u>\$ 1,139,456</u>      | <u>\$ 3,835,948</u> | <u>\$ 368,159</u> | <u>\$ 5,343,563</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
Statement of Cash Flows –  
Proprietary Funds  
Year Ended June 30, 2013

|  | Business-Type Activities |                   |                   |                   |
|--|--------------------------|-------------------|-------------------|-------------------|
|  | Water<br>Fund            | Sewer<br>Fund     | Gas<br>Fund       | Total             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                          |                   |                   |                   |
| Receipts from customers  | \$ 293,848               | \$ 427,491        | \$ 751,909        | \$ 1,473,248      |
| Payments to suppliers  | (248,074)                | (21,444)          | (420,807)         | (690,325)         |
| Payments to employees  | (66,890)                 | -                 | (86,079)          | (152,969)         |
| Net cash from operating activities   | (21,116)                 | 406,047           | 245,023           | 629,954           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                          |                   |                   |                   |
| Net proceeds (purchase) of investments   | (151)                    | -                 | (305)             | (456)             |
| Interest earnings  | 295                      | 94                | 365               | 754               |
| Net cash from investing activities   | 144                      | 94                | 60                | 298               |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES:</b>                               |                          |                   |                   |                   |
| Bad debt (expense) recovery  | 19,435                   | (4,620)           | (19,817)          | (5,002)           |
| Interest paid on sewer revenue bonds   | -                        | (170,035)         | -                 | (170,035)         |
| Principal paid on sewer revenue bonds  | -                        | (41,782)          | -                 | (41,782)          |
| Purchase of fixed assets   | (127,734)                | (80,869)          | (5,685)           | (214,288)         |
| Net cash from capital activities   | (108,299)                | (297,306)         | (25,502)          | (431,107)         |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING<br/>ACTIVITIES:</b>                                       |                          |                   |                   |                   |
| Operating transfers  | 33,638                   | (138,001)         | (136,144)         | (240,507)         |
| Proceeds from grants   | 33,000                   | -                 | -                 | 33,000            |
| Net cash from non-capital financing activities   | 66,638                   | (138,001)         | (136,144)         | (207,507)         |
| <br><b>NET INCREASE (DECREASE) IN CASH</b>   | <br>(62,633)             | <br>(29,166)      | <br>83,437        | <br>(8,362)       |
| <b>CASH – BEGINNING</b>  | <u>308,016</u>           | <u>204,217</u>    | <u>60,809</u>     | <u>573,042</u>    |
| <b>CASH – ENDING</b>   | <u>\$ 245,383</u>        | <u>\$ 175,051</u> | <u>\$ 144,246</u> | <u>\$ 564,680</u> |
| <br><b>Reconciliation of operating income (loss) to<br/>net cash from operating activities:</b>    |                          |                   |                   |                   |
| Operating income (loss)  | \$ (97,718)              | \$ (69,737)       | \$ 241,480        | \$ 74,025         |
| Adjustments to reconcile net income (loss) to<br>net cash provided (used) by operating activities: |                          |                   |                   |                   |
| Depreciation   | 106,336                  | 452,169           | 23,533            | 582,038           |
| (Increase) decrease in receivables   | (34,861)                 | 22,732            | (39,214)          | (51,343)          |
| Increase (decrease) in accounts payable  | 1,747                    | 883               | 16,494            | 19,124            |
| Increase (decrease) in customer deposits   | 3,380                    | -                 | 2,730             | 6,110             |
| Net cash from operating activities   | <u>\$ (21,116)</u>       | <u>\$ 406,047</u> | <u>\$ 245,023</u> | <u>\$ 629,954</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kinder, Louisiana, 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; police protection and other services. 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 of Kinder, Louisiana 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.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Kinder, Louisiana, 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:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization, and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity'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 Town of Kinder, Louisiana (the primary government) and its component units. By applying the above requirements, the Town has no component units.

2. Basis of Presentation

The accompanying basic financial statements of the Town of Kinder, Louisiana have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued in June 1999.

GASB 63 – "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" is adopted for the fiscal year ended June 30, 2013. GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 – "Items Previously Reported as Assets and Liabilities" is adopted for the fiscal year ended June 30, 2013. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement element classification of certain items previously reported as net assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

#### 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 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 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. 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 or if the total assets, liabilities, revenues, or expenditures 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; and 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 Sales Tax Fund is used to account for the receipt and use of proceeds of the Town's restricted sales and use taxes.

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



TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

The Section 8 Housing Fund is used to account for receipts and expenditures of federal financial assistance for low-income housing.

The Motor Vehicle Fund is used to account for receipts and expenditures of funds collected on transactions within the motor vehicle department.

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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The 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 current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital 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  
June 30, 2013

The proprietary funds utilize 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.

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 or the revenue estimates must be changed 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 and Investments

Deposits

Deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits as well as those investments with a maturity date of 90 days or less.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, U.S. government agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, 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.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2013, the Town has \$4,020,102 in deposits (collected bank balances). These deposits are secured from risk by \$788,889 of federal deposit insurance and \$3,231,213 of pledged securities held by the custodial banks in the name of the fiscal agent banks.

Investments

The Town uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures if 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 for identical assets or liabilities (Level 1

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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 that the Town has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within 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, 2013 were as follows:

| <u>Fair<br/>Value</u>                       | Quoted prices in<br>Active Markets<br>Identical assets<br><u>Level 1</u> | Significant<br>Observable<br>Inputs<br><u>Level 2</u> | Significant<br>Unobservable<br>Inputs<br><u>Level 2</u> | <u>Cost</u>         |
|---|--|---|---|---------------------|
| Certificates of Deposit <u>\$ 1,999,333</u> | <u>\$ 1,999,333</u>  | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ 1,999,333</u> |

6. 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 as due from other funds or due to other funds on the balance sheet.

7. 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.

8. 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 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                       | 10-50 years |
| Equipment and furniture         | 3-40 years  |
| Sewerage plant and improvements | 20-66 years |
| Infrastructure                  | 25-50 years |

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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.

9. Statement of Cash Flows

For the purpose of the statement of cash flows, for the enterprise 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. The statement reflects ending cash and cash equivalents of \$564,680 which represents unrestricted and restricted amounts of \$397,549 and \$167,131 (\$42,107 plus \$125,024), respectively.

10. 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 long-term liabilities. 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 the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, 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 is estimated 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 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 sick leave. Only police employees retiring at or after age 65 are entitled to any unused sick leave.

At June 30, 2013, employees of the Town have accumulated \$97,875 in leave privileges, computed in accordance with GASB Statement No. 16.

11. Long-Term Debt

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

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

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.

12. Equity Classification

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

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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. Committed net position – Consists of net position with constraints placed on the use by the governing body.
- d. Unrestricted net position – Consists of all other net position that do not meet the definition of a, b, or c above.

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 regulation 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 Board's adopted policy, only board members may assign amounts for specific purposes.
- e. Unassigned – all other spendable amounts.

13. 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.

14. 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.

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

.3% Sales Tax

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

1. 75% to be used for operating and maintaining the Town's sewerage system.
2. 25% to be used for operating and maintaining the Town's library.

The tax expires on December 31, 2017.

15. 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.

16. 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.

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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 on 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 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.

17. Environmental Remediation Costs

The Town of Kinder, Louisiana 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.

18. Subsequent Events

Management has evaluated subsequent events through November 4, 2013, the date the financial statements were issued.

NOTE B - PROPERTY TAXES

For the year ended June 30, 2013 taxes of 14.84 mills were levied on property with assessed valuations totaling \$9,577,920 and were dedicated as follows:

|                            |             |
|----------------------------|-------------|
| General corporate purposes | 14.84 mills |
|----------------------------|-------------|

Total taxes levied were \$142,136.

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 31st. Property taxes not paid by the end of February are subject to lien.

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

NOTE C - RECEIVABLES

The following is a summary of receivables for June 30, 2013:

| <u>Class of Receivable:</u> | <u>Governmental<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> |
|-----------------------------|------------------------------------|--|
| Taxes:                      |                                    |  |
| Sales and use               | \$ 107,135                         | \$ -                                     |
| Intergovernmental           | 6,698                              | -  |
| Interest                    | 561                                | 16                                       |
| Gaming                      | 44,419                             | -  |
| Charges for services        | -                                  | 210,930                                  |
| Other                       | 89,247                             | -  |
| Total                       | <u>\$ 248,060</u>                  | <u>\$ 210,946</u>                        |

Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible. This method does not result in a charge to bad debts that is materially different from the amount that would be charged if the reserve method were used.

Note D - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 follows:

|  | <u>Beginning<br/>of Year</u> | <u>Additions</u>    | <u>Deletions</u> | <u>End of<br/>Year</u> |
|--|------------------------------|---------------------|------------------|------------------------|
| Governmental Activities:                     |                              |                     |                  |                        |
| Land   | \$ 433,968                   | \$ -                | \$ -             | \$ 433,968             |
| Buildings                                    | 2,584,006                    | 14,191              | -                | 2,598,197              |
| Equipment and furniture                      | 1,069,364                    | 49,498              | 20,063           | 1,098,799              |
| Infrastructure                               | <u>3,290,116</u>             | <u>117,333</u>      | <u>-</u>         | <u>3,407,449</u>       |
| Totals at historical cost                    | 7,377,454                    | 181,022             | 20,063           | 7,538,413              |
| Less accumulated depreciation for:           |                              |                     |                  |                        |
| Buildings                                    | 670,276                      | 62,463              | -                | 732,739                |
| Equipment and furniture                      | 730,474                      | 85,618              | 14,826           | 801,266                |
| Infrastructure                               | <u>900,822</u>               | <u>82,063</u>       | <u>-</u>         | <u>982,885</u>         |
| Total accumulated depreciation               | <u>2,301,572</u>             | <u>230,144</u>      | <u>14,826</u>    | <u>2,516,890</u>       |
| Governmental Activities Capital Assets, Net  | <u>\$ 5,075,882</u>          | <u>\$ (49,122)</u>  | <u>\$ 5,237</u>  | <u>\$ 5,021,523</u>    |
| Business-Type Activities:                    |                              |                     |                  |                        |
| Land   | \$ 15,300                    | \$ -                | \$ -             | \$ 15,300              |
| Water system                                 | 2,383,646                    | 127,734             | -                | 2,511,380              |
| Sewage system                                | 11,149,666                   | 80,869              | -                | 11,230,535             |
| Gas system                                   | <u>673,087</u>               | <u>5,685</u>        | <u>-</u>         | <u>678,772</u>         |
| Totals at historical cost                    | 14,221,699                   | 214,288             | -                | 14,435,987             |
| Less accumulated depreciation for:           |                              |                     |                  |                        |
| Water system                                 | 1,494,357                    | 106,336             | -                | 1,600,693              |
| Sewer system                                 | 3,182,001                    | 452,169             | -                | 3,634,170              |
| Gas system                                   | <u>440,978</u>               | <u>23,533</u>       | <u>-</u>         | <u>464,511</u>         |
| Total accumulated depreciation               | <u>5,117,336</u>             | <u>582,038</u>      | <u>-</u>         | <u>5,699,374</u>       |
| Business-Type Activities Capital Assets, net | <u>\$ 9,104,363</u>          | <u>\$ (367,750)</u> | <u>\$ -</u>      | <u>\$ 8,736,613</u>    |



TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

Depreciation expense for the year ended June 30, 2013 was \$230,144 and \$582,038 for the governmental activities and the business-type activities, respectively.

Depreciation expense was charged to governmental activities as follows:

|                            |                   |
|----------------------------|-------------------|
| General and administrative | \$ 80,172         |
| Streets                    | 107,010           |
| Police                     | <u>42,962</u>     |
|                            | <u>\$ 230,144</u> |

NOTE E - ACCOUNTS PAYABLES

The following is a summary of payables at June 30, 2013:

| <u>Class of Payable:</u> | <u>Governmental<br/>Activities<br/>Funds</u> | <u>Business<br/>Activities<br/>Funds</u> |
|--------------------------|--|--|
| Accounts                 | \$ 74,937                                    | \$ 65,589                                |

NOTE F - PENSION PLANS

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

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

Municipal Police Employees Retirement System of Louisiana (System)

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System (an internal revenue code 401(a) system). Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 10% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The required rate is 26.5% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. 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. The Town contributions to the System for the year ending June 30, 2013, 2012, and 2011 were \$69,826, \$57,095, and \$53,863, respectively. These amounts are equal to the required contributions for each year.

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

NOTE G - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013 follows:

|                        | Beginning<br>of Year | Issued           | Retired             | End<br>of Year      |
|------------------------|----------------------|------------------|---------------------|---------------------|
| Bonds Payable          | \$ 4,619,829         | \$ -             | \$ (151,782)        | \$ 4,468,047        |
| Other Liabilities:     |                      |                  |                     |                     |
| Accrued Leave Benefits | 35,260               | 62,615           | -                   | 97,875              |
| Long-Term Liabilities  | <u>\$ 4,655,089</u>  | <u>\$ 62,615</u> | <u>\$ (151,782)</u> | <u>\$ 4,565,922</u> |

Under the Town's agreement with the USDA, the Town will provide for at least an annual reserve payment 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 certificate of indebtedness and accrued leave benefits liabilities will be paid by the General Fund. Sewer revenue bonds and certificates of indebtedness are comprised of the following individual issues:

Certificates of Indebtedness Payable-Governmental:

\$1,200,000 Certificate of indebtedness dated 11/01/2005 due in installments of \$76,244-\$132,476 through April 1, 2017, interest at 6.66% \$ 490,000

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) 3,978,047

Accrued Leave Payable 97,875

**Total \$ 4,565,922**

The annual requirements to amortize all bonds and certificates of indebtedness outstanding at June 30, 2013 are as follows:

| <u>Fiscal Year Ending</u> | <u>Principal<br/>Payments</u> | <u>Interest<br/>Payments</u> | <u>Totals</u>       |
|---------------------------|-------------------------------|------------------------------|---------------------|
| 2014                      | \$ 158,592                    | \$ 186,893                   | \$ 345,485          |
| 2015                      | 165,481                       | 180,623                      | 346,104             |
| 2016                      | 172,453                       | 174,080                      | 346,533             |
| 2017                      | 179,509                       | 167,261                      | 346,770             |
| 2018                      | 51,655                        | 160,162                      | 211,817             |
| 2019-2023                 | 293,858                       | 765,226                      | 1,059,084           |
| 2024-2028                 | 363,297                       | 695,787                      | 1,059,084           |
| 2029-2033                 | 449,144                       | 609,940                      | 1,059,084           |
| 2034-2038                 | 555,278                       | 503,806                      | 1,059,084           |
| 2039-2043                 | 686,492                       | 372,592                      | 1,059,084           |
| 2044-2048                 | 848,711                       | 210,373                      | 1,059,084           |
| 2049-2051                 | 543,577                       | 33,017                       | 576,594             |
| Totals                    | <u>\$ 4,468,047</u>           | <u>\$ 4,059,760</u>          | <u>\$ 8,527,807</u> |

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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, 2013 the statutory limit is \$3,352,272.

NOTE H - COMPONENTS OF RESTRICTED ASSETS

|  | On<br>Deposit     | Required          | Over<br>(Under) |
|--|-------------------|-------------------|-----------------|
| Restricted assets consisted of the following at June 30, 2013: |                   |                   |                 |
| Sewer improvement construction                                 | \$ 719            | \$ 719            | \$ -            |
| Sewer revenue bond sinking account                             | 3,218             | 3,218             | -               |
| Sewer revenue bond reserve account                             | 19,085            | 19,085            | -               |
| Sewer revenue bond depreciation and contingency account        | 19,085            | 19,085            | -               |
| Customer deposits – gas and water and sewer                    | <u>170,839</u>    | <u>170,839</u>    | <u>-</u>        |
| Total restricted assets - proprietary funds                    | <u>\$ 212,946</u> | <u>\$ 212,946</u> | <u>\$ -</u>     |

The \$67,598 in general fund restricted assets was restricted to certain law enforcement expenses.

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.

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. There is currently an investigation being conducted by the Louisiana State Police regarding police fuel purchases. Additional information regarding this issues is contained in the schedule of findings and responses on page 58.

NOTE K - TRIBAL STATE COMPACT COMPLIANCE

The operating transfers out of the gaming fund to the other funds were used entirely for reimbursement of capital outlays of \$16,822 and police salaries of \$156,613.

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.

TOWN OF KINDER, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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, not to include compensatory time or expense reimbursement. 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.

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 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 | <u>\$ 70,750</u> |
|-------|------------------|

Expenditures:

|          |                  |
|----------|------------------|
| Salaries | <u>\$ 70,750</u> |
|----------|------------------|

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF KINDER, LOUISIANA  
General Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2013

|  | <u>Budget</u>       |                     |                   | <u>Variance</u><br><u>Favorable</u><br><u>(Unfavorable)</u> |
|--|---------------------|---------------------|-------------------|---|
|  | <u>Original</u>     | <u>Final</u>        | <u>Actual</u>     |   |
| <b>REVENUES</b>  |                     |                     |                   |   |
| Taxes  |                     |                     |                   |   |
| Ad valorem   | \$ 143,000          | \$ 142,000          | \$ 148,296        | \$ 6,296  |
| Public utility franchise   | 135,000             | 138,798             | 139,367           | 569   |
| Licenses and permits   |                     |                     |                   |   |
| Licenses   | 67,000              | 70,000              | 127,886           | 57,886  |
| Permits  | 4,600               | 3,840               | 6,754             | 2,914   |
| Intergovernmental  |                     |                     |                   |   |
| Beer tax   | 9,000               | 9,000               | 8,367             | (633)   |
| Grant  | -                   | 72,400              | 81,351            | 8,951   |
| Fines  |                     |                     |                   |   |
| Court fines  | 291,300             | 300,331             | 322,203           | 21,872  |
| Police special   | 20,000              | 27,000              | 31,288            | 4,288   |
| Drivers licenses   | 4,500               | 4,600               | 5,679             | 1,079   |
| DWI  | 1,000               | 1,700               | 2,442             | 742   |
| Interest   | 100                 | 3,680               | 5,612             | 1,932   |
| Miscellaneous  | 47,600              | 35,771              | 87,468            | 51,697  |
| Total Revenues   | <u>723,100</u>      | <u>809,120</u>      | <u>966,713</u>    | <u>157,593</u>  |
| <b>EXPENDITURES</b>  |                     |                     |                   |   |
| General and administrative   | 507,956             | 480,096             | 448,188           | 31,908  |
| Street department  | 194,090             | 164,975             | 157,112           | 7,863   |
| Police department  | 1,087,017           | 1,136,832           | 1,137,259         | (427)   |
| Capital outlay   | 35,000              | 15,000              | 46,950            | (31,950)  |
| Total Expenditures   | <u>1,824,063</u>    | <u>1,796,903</u>    | <u>1,789,509</u>  | <u>7,394</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                     | <u>(1,100,963)</u>  | <u>(987,783)</u>    | <u>(822,796)</u>  | <u>164,987</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                     |                     |                   |   |
| Operating transfers  | -                   | 512,615             | 817,954           | 305,339   |
| Total Other Financing Sources (Uses)   | <u>-</u>            | <u>512,615</u>      | <u>817,954</u>    | <u>305,339</u>  |
| Excess (Deficiency) of Revenues and<br>Other Sources Over (Under)<br>Expenditures and Other Uses | <u>(1,100,963)</u>  | <u>(475,168)</u>    | <u>(4,842)</u>    | <u>470,326</u>  |
| <b>FUND BALANCE, BEGINNING</b>   | <u>362,234</u>      | <u>362,234</u>      | <u>362,234</u>    | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>  | <u>\$ (738,729)</u> | <u>\$ (112,934)</u> | <u>\$ 357,392</u> | <u>\$ 470,326</u>   |

TOWN OF KINDER, LOUISIANA  
General Fund  
Departmental Expenditures –  
Budgetary Comparison Schedule  
Year Ended June 30, 2013

|                                     | Budget            |                   |                   | Variance<br>Favorable<br>(Unfavorable) |
|-------------------------------------|-------------------|-------------------|-------------------|--|
|                                     | Original          | Final             | Actual            |  |
| GENERAL AND ADMINISTRATIVE          |                   |                   |                   |  |
| Advertising - notices               | \$ 2,500          | \$ 2,500          | \$ 2,270          | \$ 230                                 |
| Audit fees                          | 6,800             | 6,261             | 6,261             | -                                      |
| Dues                                | 1,500             | 1,500             | 2,171             | (671)                                  |
| Equipment rental                    | 1,500             | 1,500             | -                 | 1,500                                  |
| Engineering fees                    | 6,500             | 2,000             | 1,458             | 542                                    |
| Insurance                           | 150,850           | 157,210           | 125,496           | 31,714                                 |
| Material and supplies               | 6,300             | 6,200             | 5,944             | 256                                    |
| Miscellaneous                       | 22,000            | 18,899            | 31,150            | (12,251)                               |
| Office                              | 4,500             | 3,500             | 3,510             | (10)                                   |
| Payroll taxes                       | 14,200            | 13,600            | 13,718            | (118)                                  |
| Per diem                            | 3,500             | 2,000             | 1,632             | 368                                    |
| Postage                             | 850               | 960               | 907               | 53                                     |
| Professional fees                   | 10,000            | 7,000             | 3,919             | 3,081                                  |
| Repairs and maintenance             | 29,100            | 20,860            | 18,373            | 2,487                                  |
| Retirement                          | 2,500             | 1,800             | 1,868             | (68)                                   |
| Salaries                            | 202,056           | 196,611           | 188,798           | 7,813                                  |
| Telephone                           | 8,300             | 7,800             | 6,570             | 1,230                                  |
| Travel                              | 10,000            | 6,000             | 5,711             | 289                                    |
| Uniforms                            | 5,500             | 4,114             | 3,337             | 777                                    |
| Utilities                           | 19,500            | 19,781            | 25,095            | (5,314)                                |
| TOTAL GENERAL AND<br>ADMINISTRATIVE | <u>\$ 507,956</u> | <u>\$ 480,096</u> | <u>\$ 448,188</u> | <u>\$ 31,908</u>                       |
| STREET DEPARTMENT                   |                   |                   |                   |  |
| Contract labor                      | \$ 18,000         | \$ 19,000         | \$ 21,616         | \$ (2,616)                             |
| Food for prisoners                  | 6,000             | 7,500             | 8,116             | (616)                                  |
| Gas and oil                         | 18,000            | 18,000            | 16,291            | 1,709                                  |
| Insurance                           | 12,770            | 7,300             | 7,277             | 23                                     |
| Materials and supplies              | 23,500            | 23,500            | 29,024            | (5,524)                                |
| Miscellaneous                       | 1,500             | 1,000             | 1,275             | (275)                                  |
| Payroll taxes                       | 4,420             | 2,675             | 2,415             | 260                                    |
| Recycling                           | -                 | -                 | 1,620             | (1,620)                                |
| Repairs and maintenance             | 19,000            | 12,600            | 5,634             | 6,966                                  |
| Salaries                            | 54,000            | 35,000            | 30,487            | 4,513                                  |
| Street lights                       | 34,800            | 36,800            | 31,873            | 4,927                                  |
| Travel                              | 500               | -                 | -                 | -                                      |
| Utilities                           | 1,600             | 1,600             | 1,484             | 116                                    |
| TOTAL STREET DEPARTMENT             | <u>\$ 194,090</u> | <u>\$ 164,975</u> | <u>\$ 157,112</u> | <u>\$ 7,863</u>                        |

TOWN OF KINDER, LOUISIANA  
General Fund  
Departmental Expenditures –  
Budgetary Comparison Schedule  
Year Ended June 30, 2013

|                                | <u>Budget</u>       |                     | <u>Actual</u>       | <u>Variance</u><br><u>Favorable</u><br><u>(Unfavorable)</u> |
|--------------------------------|---------------------|---------------------|---------------------|---|
|                                | <u>Original</u>     | <u>Final</u>        |                     |   |
| <b>POLICE DEPARTMENT</b>       |                     |                     |                     |   |
| Auto allowance – dog catcher   | \$ 1,300            | \$ 1,390            | \$ 1,339            | \$ 51   |
| Care of prisoners              | 6,000               | 7,500               | 7,946               | (446)   |
| Contract labor                 | 8,700               | 17,500              | 15,364              | 2,136   |
| Dues                           | 5,000               | 2,848               | 120                 | 2,728   |
| Intergovernmental              | -                   | -                   | 8,953               | (8,953)   |
| Gas and oil                    | 40,000              | 45,000              | 44,744              | 256   |
| Insurance                      | 141,900             | 148,632             | 114,399             | 34,233  |
| Insurance-dispatchers          | 32,300              | 32,300              | 31,463              | 837   |
| Materials and supplies         | 15,000              | 17,000              | 17,647              | (647)   |
| Miscellaneous                  | 18,400              | 20,993              | 3,996               | 16,997  |
| Office supplies                | 2,500               | 5,000               | 5,395               | (395)   |
| Payroll taxes                  | 52,800              | 52,800              | 61,161              | (8,361)   |
| Postage                        | 200                 | 400                 | 550                 | (150)   |
| Professional services          | 2,500               | 1,000               | 1,244               | (244)   |
| Repairs and maintenance        | 11,400              | 22,795              | 12,892              | 9,903   |
| Retirement                     | 80,700              | 80,530              | 82,414              | (1,884)   |
| Salaries                       | 620,517             | 623,124             | 679,644             | (56,520)  |
| Salaries-dog catcher           | 14,000              | 13,900              | 13,390              | 510   |
| Telephone                      | 20,000              | 20,000              | 19,403              | 597   |
| Travel                         | 800                 | 1,355               | 1,856               | (501)   |
| Uniforms                       | 3,000               | 13,265              | 4,235               | 9,030   |
| Utilities                      | 10,000              | 9,500               | 9,104               | 396   |
| <b>TOTAL POLICE DEPARTMENT</b> | <b>\$ 1,087,017</b> | <b>\$ 1,136,832</b> | <b>\$ 1,137,259</b> | <b>\$ (427)</b>   |



TOWN OF KINDER, LOUISIANA  
Special Revenue Fund  
Sales Tax Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2013

|  | Budget              |                     |                     | Variance                   |
|--|---------------------|---------------------|---------------------|----------------------------|
|  | Original            | Final               | Actual              | Favorable<br>(Unfavorable) |
| REVENUES   |                     |                     |                     |                            |
| Sales taxes  | \$ 689,000          | \$ 655,000          | \$ 642,413          | \$ (12,587)                |
| Less: collection fees  | -                   | -                   | (20,596)            | (20,596)                   |
| Interest   | 15,000              | 22,000              | 28,118              | 6,118                      |
| Intergovernmental  | -                   | 71,268              | 62,091              | (9,177)                    |
| Total Revenues   | <u>704,000</u>      | <u>748,268</u>      | <u>712,026</u>      | <u>(36,242)</u>            |
| EXPENDITURES   |                     |                     |                     |                            |
| Current:   |                     |                     |                     |                            |
| Audit fees   | 6,800               | 13,600              | 13,327              | 273                        |
| Engineering fees   | -                   | -                   | 12,180              | (12,180)                   |
| Material and supplies  | 7,500               | 40,000              | 3,984               | 36,016                     |
| Miscellaneous  | 1,100               | 1,400               | 1,340               | 60                         |
| Professional fees  | 1,200               | 1,200               | 310                 | 890                        |
| Repairs and maintenance  | 19,000              | 25,800              | 31,723              | (5,923)                    |
| Capital outlay   | 143,000             | 282,364             | 134,071             | 148,293                    |
| Debt service:  |                     |                     |                     |                            |
| Principal retirement   | -                   | -                   | 110,000             | (110,000)                  |
| Interest   | -                   | 22,860              | 22,860              | -                          |
| Total Expenditures   | <u>178,600</u>      | <u>387,224</u>      | <u>329,795</u>      | <u>57,429</u>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                     | <u>525,400</u>      | <u>361,044</u>      | <u>382,231</u>      | <u>21,187</u>              |
| OTHER FINANCING SOURCES (USES)   |                     |                     |                     |                            |
| Operating transfers  | -                   | (228,000)           | (391,102)           | (163,102)                  |
| Total Other Financing<br>Sources (Uses)  | <u>-</u>            | <u>(228,000)</u>    | <u>(391,102)</u>    | <u>(163,102)</u>           |
| Excess (Deficiency) of Revenues and<br>Other Sources Over (Under)<br>Expenditures and Other Uses | <u>525,400</u>      | <u>133,044</u>      | <u>(8,871)</u>      | <u>(141,915)</u>           |
| FUND BALANCE, BEGINNING  | <u>2,166,113</u>    | <u>2,166,113</u>    | <u>2,166,113</u>    | <u>-</u>                   |
| FUND BALANCE, ENDING   | <u>\$ 2,691,513</u> | <u>\$ 2,299,157</u> | <u>\$ 2,157,242</u> | <u>\$ (141,915)</u>        |

TOWN OF KINDER, LOUISIANA  
Special Revenue Fund  
Gaming Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2013

|  | <u>Budget</u>     |                   |                   | <u>Variance</u>                          |
|--|-------------------|-------------------|-------------------|--|
|  | <u>Original</u>   | <u>Final</u>      | <u>Actual</u>     | <u>Favorable</u><br><u>(Unfavorable)</u> |
| REVENUES   |                   |                   |                   |  |
| Gaming   | \$ 178,000        | \$ 172,661        | \$ 175,212        | \$ 2,551                                 |
| Interest   | 6,000             | 8,800             | 10,746            | 1,946                                    |
| Total Revenues   | <u>184,000</u>    | <u>181,461</u>    | <u>185,958</u>    | <u>4,497</u>                             |
| EXPENDITURES   |                   |                   |                   |  |
| Salaries   | 90,000            | 150,000           | -                 | 150,000                                  |
| Capital outlay   | -                 | 15,000            | -                 | 15,000                                   |
| Total Expenditures   | <u>90,000</u>     | <u>165,000</u>    | <u>-</u>          | <u>165,000</u>                           |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                     | <u>94,000</u>     | <u>16,461</u>     | <u>185,958</u>    | <u>169,497</u>                           |
| OTHER FINANCING SOURCES (USES)   |                   |                   |                   |  |
| Operating transfers  | -                 | -                 | (173,435)         | (173,435)                                |
| Total Other Financing<br>Sources (Uses)  | <u>-</u>          | <u>-</u>          | <u>(173,435)</u>  | <u>(173,435)</u>                         |
| Excess (Deficiency) of Revenues and<br>Other Sources Over (Under)<br>Expenditures and Other Uses | <u>94,000</u>     | <u>16,461</u>     | <u>12,523</u>     | <u>(3,938)</u>                           |
| FUND BALANCE, BEGINNING  | <u>567,524</u>    | <u>567,524</u>    | <u>567,524</u>    | <u>-</u>                                 |
| FUND BALANCE, ENDING   | <u>\$ 661,524</u> | <u>\$ 583,985</u> | <u>\$ 580,047</u> | <u>\$ (3,938)</u>                        |

TOWN OF KINDER, LOUISIANA  
Special Revenue Fund  
Section 8 Housing Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2013

|  | Budget            |                   | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|--|-------------------|-------------------|-------------------|--|
|  | Original          | Final             |                   |  |
| REVENUES   |                   |                   |                   |  |
| Intergovernmental  | \$ 285,000        | \$ 290,000        | \$ 283,671        | \$ (6,329)                             |
| Interest   | <u>1,000</u>      | <u>470</u>        | <u>831</u>        | <u>361</u>                             |
| Total Revenues   | <u>286,000</u>    | <u>290,470</u>    | <u>284,502</u>    | <u>(5,968)</u>                         |
| EXPENDITURES   |                   |                   |                   |  |
| Section 8 housing  | 350,000           | 235,000           | 228,142           | 6,858                                  |
| Miscellaneous  | <u>2,582</u>      | <u>2,880</u>      | <u>2,880</u>      | <u>-</u>                               |
| Total Expenditures   | <u>352,582</u>    | <u>237,880</u>    | <u>231,022</u>    | <u>6,858</u>                           |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                     | <u>(66,582)</u>   | <u>52,590</u>     | <u>53,480</u>     | <u>890</u>                             |
| OTHER FINANCING SOURCES (USES)   |                   |                   |                   |  |
| Operating transfers  | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>                               |
| Total Other Financing<br>Sources (Uses)  | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>                               |
| Excess (Deficiency) of Revenues and<br>Other Sources Over (Under)<br>Expenditures and Other Uses | <u>(66,582)</u>   | <u>52,590</u>     | <u>53,480</u>     | <u>890</u>                             |
| FUND BALANCE, BEGINNING  | <u>178,693</u>    | <u>178,693</u>    | <u>178,693</u>    | <u>-</u>                               |
| FUND BALANCE, ENDING   | <u>\$ 112,111</u> | <u>\$ 231,283</u> | <u>\$ 232,173</u> | <u>\$ 890</u>                          |

TOWN OF KINDER, LOUISIANA  
Special Revenue Fund  
Motor Vehicle Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2013

|  | <u>Budget</u>    |                  |                  | <u>Variance</u>                          |
|--|------------------|------------------|------------------|--|
|  | <u>Original</u>  | <u>Final</u>     | <u>Actual</u>    | <u>Favorable</u><br><u>(Unfavorable)</u> |
| REVENUES   |                  |                  |                  |  |
| Special assessments  | \$ 7,500         | \$ 6,000         | \$ 6,306         | \$ 306                                   |
| Interest   | 20               | 5                | 5                | -  |
| Total Revenues   | <u>7,520</u>     | <u>6,005</u>     | <u>6,311</u>     | <u>306</u>                               |
| EXPENDITURES   |                  |                  |                  |  |
| Administrative   | <u>6,600</u>     | <u>13,010</u>    | <u>-</u>         | <u>13,010</u>                            |
| Total Expenditures   | <u>6,600</u>     | <u>13,010</u>    | <u>-</u>         | <u>13,010</u>                            |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                     | <u>920</u>       | <u>(7,005)</u>   | <u>6,311</u>     | <u>13,316</u>                            |
| OTHER FINANCING SOURCES (USES)   |                  |                  |                  |  |
| Operating transfers  | <u>-</u>         | <u>-</u>         | <u>(12,910)</u>  | <u>(12,910)</u>                          |
| Total Other Financing<br>Sources (Uses)  | <u>-</u>         | <u>-</u>         | <u>(12,910)</u>  | <u>(12,910)</u>                          |
| Excess (Deficiency) of Revenues and<br>Other Sources Over (Under)<br>Expenditures and Other Uses | <u>920</u>       | <u>(7,005)</u>   | <u>(6,599)</u>   | <u>406</u>                               |
| FUND BALANCE, BEGINNING  | <u>17,529</u>    | <u>17,529</u>    | <u>17,529</u>    | <u>-</u>                                 |
| FUND BALANCE, ENDING   | <u>\$ 18,449</u> | <u>\$ 10,524</u> | <u>\$ 10,930</u> | <u>\$ 406</u>                            |

## OTHER SUPPLEMENTARY INFORMATION

TOWN OF KINDER, LOUISIANA  
Enterprise Funds  
Utility Funds  
(Unaudited)

Schedule of Number of Utility Customers

June 30, 2013

Records maintained by the Town indicate the following number of customers being served during the months of June 2012 and June, 2013, respectively:

| <u>Department</u> | <u>2013</u> | <u>2012</u> |
|-------------------|-------------|-------------|
| Gas (metered)     | 928         | 924         |
| Water (metered)   | 1,076       | 1,061       |
| Sewerage          | 1,046       | 1,032       |

TOWN OF KINDER, LOUISIANA

Schedule of Insurance in Force  
(Unaudited)  
June 30, 2013

| <u>Description of Coverage</u>                               | <u>Coverage Amounts</u> |
|--|-------------------------|
| Workmen's Compensation:                                      |                         |
| Employer's liability - Bodily Injury by Disease Per Accident | \$ 100,000              |
| - Bodily Injury by Disease Policy Limit                      | 500,000                 |
| - Bodily Injury by Accident Per Employee                     | 100,000                 |
| Surety Bonds:  |                         |
| Town clerk   | 5,000                   |
| Police clerk   | 5,000                   |
| Clerks each  | 5,000                   |
| General liability:   |                         |
| Town-  |                         |
| Bodily Injury/Property Damage                                | 500,000                 |
| Aggregate  | 500,000                 |
| Police-  |                         |
| Personal Injury/Property Damage                              | 500,000                 |
| Aggregate  | 500,000                 |
| Public officials' error and omissions                        | 500,000                 |
| Fire, extended coverage, blanket policy:                     |                         |
| Buildings  | 3,253,160               |
| Contents   | 458,500                 |
| Comprehensive liability and collision:                       |                         |
| Collision  | 247,675                 |
| Specified Perils   | 62,500                  |

TOWN OF KINDER, LOUISIANA  
Schedule of Compensation Paid to Mayor and Council Members  
Year Ended June 30, 2013

|  |                  |
|--|------------------|
| Doumite, Susan                                       | \$ 3,600         |
| Fontenot, Claude                                     | 3,600            |
| Keys, Lowell   | 3,600            |
| LeDoux, Estes - Mayor                                | 27,090           |
| Van Norman, Angela                                   | 3,600            |
| Wykoff, Ferda  | <u>3,600</u>     |
| Total Compensation Paid to Mayor and Council Members | <u>\$ 45,090</u> |



# ROYCE T. SCIMEMI, CPA, APAC



## CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 210  
Oberlin, LA 70655  
Tele (337) 639-4334, Fax (337) 639-4068

Member  
American Institute of  
Certified Public Accountants

Member  
Society of Louisiana  
Certified Public Accountants

### 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 4, 2013

Honorable Estes LeDoux, 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, 2013, 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 4, 2013.

#### 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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency which is described in the accompanying schedule of findings and questioned costs as item 2013-1 I/C & C.

Honorable Estes LeDoux, Mayor  
and the Town Council  
Town of Kinder, Louisiana  
November 4, 2013  
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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and questioned costs as item 2013-1 I/C & 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 to the current year audit findings and questioned costs. 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

*Royce T. Scimemi, CPA, APAC*

TOWN OF KINDER, LOUISIANA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Control deficiencies(s) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

**Findings – Financial Statement Audit**

Finding #2013-1 I/C & C:

Article 7, Section 14 of the 1974 Louisiana Constitution

Condition: Fuel purchases by the police department were possibly not utilized in police vehicles. Large increases in fuel consumption over the past several years led to further investigation of usage. Evidence gathered indicated considerable amounts of fuel purchased by the police department that were not used in official Town vehicles. The Louisiana State Police are in the process of investigating the possible infraction. The Louisiana Legislative Auditor and Allen Parish District Attorney have been formally notified as required by Louisiana Revised Statutes.

Criteria: Controls over fuel purchases and credit card usage should require each driver of a vehicle to maintain a mileage log and to input the correct odometer reading at the time of fueling, with management reviewing the miles traveled, gallons purchased, and miles per gallon data for reasonableness.

Cause: Lack of internal controls.

Effect: Possible violation of the Article 7, Section 14 of the 1974 Louisiana Constitution.

Recommendation: Strengthen oversight by monitoring fuel usage and prohibiting use in personal vehicles.

Response: See Corrective Action Plan

**Federal Award Findings and Questioned Costs**

None

TOWN OF KINDER, LOUISIANA  
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR  
CURRENT YEAR AUDIT FINDINGS AND  
RESPONSES (UNAUDITED)  
Year Ended June 30, 2013

Internal Control and Compliance Not Material to the Financial Statements

Finding #2013-1 I/C & C:

Article 7, Section 14 of the 1974 Louisiana Constitution

Pending the results of the investigation by the Louisiana State Police, appropriate action will be taken. In the future however, the Town Clerk will be responsible for monitoring and maintaining controls over fuel purchases and credit card usage by all Town personnel including the police department.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

TOWN OF KINDER, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2013

2012-1 C: Local Governmental Budget Act Compliance

|                          |   |
|--------------------------|---|
| Corrective Action Taken: | Management is monitoring revenues and expenditures monthly and amending the budget as necessary to comply with the Louisiana Local Governmental Budget Act. |
|--------------------------|---|