

VILLAGE OF SIKES, LOUISIANA

Annual Financial Statements

JUNE 30, 2017

**Village of Sikes, Louisiana
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Kenneth Womack, Mayor
& Members of the Board
Sikes, Louisiana

Management is responsible for the accompanying financial statements of the governmental activities and the business-type activities of the Village of Sikes, Louisiana, as of and for the year ended June 30, 2017, and related notes to the basic financial statements which collectively comprise the Village of Sikes' basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are 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. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Other Information

The other supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

The Vercher Group

Jena, Louisiana
December 27, 2017

Village of Sikes

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MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Village, we offer readers of the Village of Sikes' financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Village's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Governmental Funds

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$326,156 (*net position*). This is a \$9,610 decrease from last year, mainly due to a decrease in capital assets, net of accumulated depreciation in the amount of \$13,912.
- The Village had total revenue of \$8,472, in which \$1,592 came from fees and charges and \$5,939 came from taxes. This is an \$1,474 increase from last year's revenues, mainly due to an increase in miscellaneous revenue in the amount of \$941.
- The Village had total expenditures of \$10,170, which is a \$1,225 increase from last year, mainly due to an increase in personnel expense in the amount of \$2,232.

Enterprise Funds

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,579,630 (*net position*). This is a \$29,182 decrease from last year, mainly due to a decrease in capital assets, net of accumulated depreciation in the amount of \$95,063.
- The Village had total revenue of \$136,797, including operating revenues of \$136,115, non-operating revenues of \$682, and capital contributions in the amount of \$-0-. This is a \$391,533 decrease from last year, mainly due to a decrease in capital contributions in the amount of \$431,619.
- The Village had total expenses of \$159,979, in which all were operating expenses. This is a \$26,645 decrease from last year, mainly due to a decrease in maintenance and repair in the amount of \$41,862.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Village is a special-purpose entity engaged only in governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

USING THIS ANNUAL REPORT

The Village's annual report consists of financial statements that show information about the Village's funds, enterprise funds and governmental funds.

Our accountant has provided assurance in his independent accountant's report, located immediately following this Management's Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the accountant regarding the other information included in this report. A user of this report should read the independent accountant's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the Village's Most Significant Funds

The Village's financial statements provide detailed information about the most significant funds. The Village may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The Village's enterprise fund uses the following accounting approach:

All of the Village's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

MD&A

GOVERNMENTAL FUNDS

Comparative Statement of Net Position

The following table represents a condensed Comparative Statement of Net Position as of June 30, 2017:

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Assets			
Cash & Investments	\$ 6,366	\$ 8,393	31.8
Receivables	1,129	1,086	-3.8
Capital Assets, Net of Accumulated Depreciation	<u>330,757</u>	<u>316,845</u>	-4.2
Total Assets	<u><u>338,252</u></u>	<u><u>326,324</u></u>	-3.5
Liabilities & Net Position			
Accounts, Salaries, & Other Payables	<u>2,486</u>	<u>168</u>	-93.2
Total Liabilities	<u><u>2,486</u></u>	<u><u>168</u></u>	-93.2
Net Position			
Net Investment in Capital Assets	330,757	316,845	-4.2
Unrestricted	<u>5,009</u>	<u>9,311</u>	85.9
Total Net Position	<u><u>\$ 335,766</u></u>	<u><u>\$ 326,156</u></u>	-2.9

Comparative Changes in Fund Balances

The following table reflects the condensed Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2017:

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Beginning Fund Balances	\$ 2,000	\$ 5,009	150.5
Total Revenues	6,998	8,472	21.1
Total Expenditures	(8,945)	(10,170)	13.7
Total Transfers In (Out)	<u>-0-</u>	<u>6,000</u>	100.0
Increase (Decrease) in Fund Balances	<u>(1,947)</u>	<u>4,302</u>	321.0
Prior Period Adjustment	4,956	-0-	-100.0
Ending Fund Balances	<u><u>\$ 5,009</u></u>	<u><u>\$ 9,311</u></u>	85.9

MD&A

ENTERPRISE FUNDS

Comparative Statement of Net Position

The following table represents a condensed Comparative Statement of Net Position as of June 30, 2017:

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Assets			
Cash & Investments	\$ 103,004	\$ 165,563	60.7
Receivables	9,827	11,483	16.9
Restricted Assets	9,973	9,973	0.0
Capital Assets, Net of Accumulated Depreciation	3,499,393	3,404,330	-2.7
Total Assets	<u>3,622,197</u>	<u>3,591,349</u>	-0.9
Liabilities			
Accounts, Salaries, & Other Payables	3,412	1,746	-48.8
Customer Deposits	9,973	9,973	0.0
Total Liabilities	<u>13,385</u>	<u>11,719</u>	-12.4
Net Position			
Net Investment in Capital Assets	3,499,393	3,404,330	-2.7
Unrestricted	109,419	175,300	60.2
Total Net Position	<u>\$ 3,608,812</u>	<u>\$ 3,579,630</u>	-0.8

MD&A

Comparative Changes in Net Position Enterprise Funds

The following table reflects the condensed Comparative Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017:

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Operating Revenues	\$ 96,603	\$ 136,115	40.9
Non-Operating Revenues	108	682	531.5
Total Revenues	<u>96,711</u>	<u>136,797</u>	41.4
Operating Expenses	186,624	159,979	-14.3
Non-Operating Expenses	-0-	-0-	0.0
Total Expenses	<u>186,624</u>	<u>159,979</u>	-14.3
Income (Loss) before Transfers and Contributions	<u>(89,913)</u>	<u>(23,182)</u>	-74.2
Transfers In (Out)	-0-	(6,000)	100.0
Capital Contributions	<u>431,619</u>	<u>-0-</u>	-100.0
Increase (Decrease) in Net Position	341,706	(29,182)	-108.5
Prior Period Adjustment	<u>15,935</u>	<u>-0-</u>	-100.0
Beginning Net Position	<u>3,251,171</u>	<u>3,608,812</u>	11.0
Ending Net Position	<u>\$ 3,608,812</u>	<u>\$ 3,579,630</u>	-0.8

CAPITAL ASSETS

Capital Assets – Governmental Fund

At June 30, 2017, the Village had \$316,845 invested in capital assets, including equipment.

Capital Assets at Year-End

	<u>2016</u>	<u>2017</u>
Equipment	\$ 556,477	\$ 556,477
Accumulated Depreciation	<u>(225,720)</u>	<u>(239,632)</u>
Total	<u>\$ 330,757</u>	<u>\$ 316,845</u>

MD&A

CAPITAL ASSETS

Capital Assets – Enterprise Fund

At June 30, 2017, the Village had \$3,404,330 invested in capital assets, including the water system, sewer system, machinery, and equipment.

Capital Assets at Year-End

	<u>2016</u>	<u>2017</u>
Sewer System	\$ 671,020	\$ 671,020
Water System *	3,559,408	3,559,408
Accumulated Depreciation	<u>(731,035)</u>	<u>(826,098)</u>
Total	\$ 3,499,393	\$ 3,404,330

* Land in the amount of \$600 is not being depreciated.

CONTACTING THE VILLAGE'S FINANCIAL MANGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the entity's finances and to show that the entity's accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Kenneth Womack at the Village Hall, phone number (318) 628-2634.

Basic Financial Statements

Village of Sikes, Louisiana
Statement of Net Position
June 30, 2017

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 8,393	\$ 141,656	\$ 150,049
Investments	-0-	23,907	23,907
Receivables (Net of Allowances for Uncollectables)	1,086	11,483	12,569
TOTAL CURRENT ASSETS	<u>9,479</u>	<u>177,046</u>	<u>186,525</u>
NON-CURRENT ASSETS			
Restricted Cash	-0-	9,973	9,973
Capital Assets (Net of Accumulated Depreciation)	316,845	3,404,330	3,721,175
TOTAL NON-CURRENT ASSETS	<u>316,845</u>	<u>3,414,303</u>	<u>3,731,148</u>
TOTAL ASSETS	<u>326,324</u>	<u>3,591,349</u>	<u>3,917,673</u>
CURRENT LIABILITIES			
Accounts, Salaries, & Other Payables	168	1,746	1,914
TOTAL CURRENT LIABILITIES	<u>168</u>	<u>1,746</u>	<u>1,914</u>
NON-CURRENT LIABILITIES			
Customer Deposits (Payable from Restricted Assets)	-0-	9,973	9,973
TOTAL NON-CURRENT LIABILITIES	<u>-0-</u>	<u>9,973</u>	<u>9,973</u>
TOTAL LIABILITIES	<u>168</u>	<u>11,719</u>	<u>11,887</u>
NET POSITION			
Net Investment in Capital Assets	316,845	3,404,330	3,721,175
Unrestricted	9,311	175,300	184,611
TOTAL NET POSITION	<u>\$ 326,156</u>	<u>\$ 3,579,630</u>	<u>\$ 3,905,786</u>

The accompanying notes are an integral part of this statement.

Village of Sikes, Louisiana
Balance Sheet, Governmental Funds
June 30, 2017

ASSETS	
Cash	\$ 8,393
Accounts Receivable, Net	1,086
TOTAL ASSETS	<u>9,479</u>
 LIABILITIES & FUND BALANCE	
Accounts Payable	168
Fund Balance, Unassigned	9,311
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 9,479</u>

The accompanying notes are an integral part of this statement.

Village of Sikes, Louisiana
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
June 30, 2017

Total fund balance – governmental funds	\$	9,311
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Balance Sheet – Governmental Funds.		316,845
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		----- -0-
Total Net Position of governmental activities	\$	<u>326,156</u>

The accompanying notes are an integral part of this statement.

Village of Sikes, Louisiana
Statement of Revenues, Expenditures &
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

REVENUES	
Fees & Charges	\$ 1,592
Taxes	5,939
Miscellaneous	941
TOTAL REVENUES	<u>8,472</u>
EXPENDITURES	
Personnel Expense	5,594
Other Administrative	2,495
Utilities	1,872
Repairs & Maintenance	209
TOTAL EXPENDITURES	<u>10,170</u>
REVENUES OVER(UNDER) EXPENDITURES	(1,698)
TRANSFERS IN (OUT)	<u>6,000</u>
NET CHANGE IN FUND BALANCE	4,302
FUND BALANCES – BEGINNING	<u>5,009</u>
FUND BALANCES – ENDING	<u><u>\$ 9,311</u></u>

The accompanying notes are an integral part of this statement.

Village of Sikes, Louisiana
Statement of Net Position, Proprietary Funds
June 30, 2017

		BUSINESS TYPE ACTIVITIES ENTERPRISE FUND WATER & SEWER FUND
CURRENT ASSETS		
Cash & Cash Equivalents	\$	141,656
Investments		23,907
Receivables (Net of Allowances for Uncollectible)		11,483
TOTAL CURRENT ASSETS		177,046
NON-CURRENT ASSETS		
Restricted Cash		9,973
Capital Assets (Net of Accumulated Depreciation)		3,404,330
TOTAL NON-CURRENT ASSETS		3,414,303
TOTAL ASSETS		3,591,349
CURRENT LIABILITIES		
Accounts, Salaries, & Other Payables		1,746
TOTAL CURRENT LIABILITIES		1,746
NON-CURRENT LIABILITIES		
Customer Deposits (Payable From Restricted Assets)		9,973
TOTAL NON-CURRENT LIABILITIES		9,973
TOTAL LIABILITIES		11,719
NET POSITION		
Net Investment in Capital Assets		3,404,330
Unrestricted		175,300
TOTAL NET POSITION	\$	3,579,630

The accompanying notes are an integral part of this statement.

Village of Sikes, Louisiana
Statement of Revenues, Expenses & Changes in Net Position
Proprietary Funds
June 30, 2017

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUND WATER & SEWER FUND
OPERATING REVENUES	
Charges for Services	\$ 136,115
TOTAL OPERATING REVENUES	136,115
OPERATING EXPENSES	
Administrative Expense	3,478
Contract Labor	13,369
Maintenance & Repair	13,214
Other Operating	17,294
Utilities	17,561
Depreciation	95,063
TOTAL OPERATING EXPENSES	159,979
OPERATING INCOME (LOSS)	(23,864)
NON-OPERATING REVENUES (EXPENSES)	
Other Revenue	675
Interest Expense	7
TOTAL NON-OPERATING REVENUES (EXPENSES)	682
TRANSFERS IN (OUT)	(6,000)
Capital Contributions	-0-
CHANGE IN NET POSITION	(29,182)
TOTAL NET POSITION – BEGINNING	3,608,812
TOTAL NET POSITION – ENDING	\$ 3,579,630

The accompanying notes are an integral part of this statement.

Village of Sikes, Louisiana
Statement of Cash Flows
Proprietary Funds
June 30, 2017

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUND WATER & SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 134,459
Payments to Suppliers	(66,582)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>67,877</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Other Revenue	682
Transfer From (To) Funds	(6,000)
CASH FLOWS FROM NON-OPERATING ACTIVITIES	<u>(5,318)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Capital Grants	-0-
Acquisition of Capital Assets	-0-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Restricted Assets & Investments	(109)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(109)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	62,450
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>89,179</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>151,629</u>
RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	141,656
Restricted Cash	9,973
TOTAL CASH AND CASH EQUIVALENTS	<u>151,629</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	(23,864)
Depreciation Expense	95,063
(Increase) Decrease in Accounts Receivable	(1,656)
Increase (Decrease) in Accounts Payable	(1,666)
Increase (Decrease) in Customer Deposits	-0-
TOTAL ADJUSTMENTS	<u>91,741</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 67,877</u>

The accompanying notes are an integral part of this statement.

**Notes To The Basic
Financial Statements**

VILLAGE OF SIKES, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Sikes was incorporated under the provisions of the Lawrason Act. The entity operates under the Mayor-Board of Alderman form of government. The entity provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water, gas and sewer services) and general administrative functions, including coordination of related services with parish, state and federal governing bodies.

The accounting and reporting policies of the Village of Sikes conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF SIKES, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

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

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

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

The municipality reports the following major governmental funds:

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

The municipality reports the following major proprietary funds:

- Water and Sewer Fund

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

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

VILLAGE OF SIKES, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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

C. EQUITY CLASSIFICATIONS

In the government-wide financial statements, equity is classified as Net Position and displayed in three components as applicable. The components are as follows:

Net Investment in Capital Assets- Capital assets including restricted capital assets, when applicable, net of accumulated depreciation.

Restricted Net Position- Net position with constraints placed on their 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.

Unrestricted Net Position- All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, management applies restricted resources first. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

In the fund financial statements, governmental fund equity is classified as fund balance. The Village has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance- amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. Restricted fund balance- amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation;

VILLAGE OF SIKES, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

- c. Committed fund balance- amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- d. Assigned fund balance- amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance- amounts that are available for any purpose; positive amounts are reported only in the general fund.

D. FIXED ASSETS & LONG-TERM LIABILITIES

For the year ended June 30, 2017, no interest costs were capitalized for construction of fixed assets.

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet and governmental fund statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Life In Years</u>
Water System	40
Sewer System	40
Buildings	40
Equipment	5-10

E. CASH, CASH EQUIVALENTS, & INVESTMENTS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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.

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Entity that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Entity’s name.

All cash and investments (CD’s over 90 days) are reported at cost and are on deposit at federally insured banks.

It is the Village’s policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Village’s deposits are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. All deposits were secured at the year-end. The categories are described as follows:

- *Category 1* – Insured or collateralized with securities held by the Village or by its agent in the Village’s name.
- *Category 2* – Collateralized with securities held by the pledging financial institution’s trust department or agent in the Village’s name.
- *Category 3* – Uncollateralized.

Total Cash		\$ <u>183,929</u>
FDIC (<i>Category 1</i>)		183,929
Securities (<i>Category 2</i>)		-0-
Uncollateralized (<i>Category 3</i>)		-0-
Total Secured		\$ <u><u>183,929</u></u>

F. INVENTORIES

Immaterial amounts of inventory are maintained for general fund and enterprise fund operations and, accordingly, these supplies are expensed as purchased.

G. ACCOUNTS RECEIVABLE & ALLOWANCE FOR BAD DEBTS

At June 30, 2017, no reserve for bad debts in the general fund was required since the estimated uncollectible receivables outstanding were considered immaterial.

	Enterprise Fund		Governmental Fund
	Water & Sewer Fund		General Fund
Fees & Charges	\$ -0-		\$ 1,086
Customer	11,483		-0-
Total	\$ <u>11,483</u>		\$ <u>1,086</u>

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

H. COMPENSATED ABSENCES

The entity has no compensated absence policy.

(2) AD VALOREM TAXES

The entity levies taxes on real and business personal property located within its boundaries. The entity utilizes the services of the Winn Parish Tax Assessor to assess the property values and prepare the entity's property tax roll. The entity bills and collects its own property taxes.

Property Tax Calendar

Property Tax Calendar	
Assessment Date	January 1
Levy Date	No Later Than June 1
Tax Bills Mailed	On or About October 15
Total Taxes Are Due	December 31
Penalties and Interest are Added	January 1
Lien Date	January 1

For the year ended June 30, 2017, taxes of 5.86 mills were levied against property having a valuation of some \$238,519 which produced some \$1,396 in revenue.

Ad Valorem Taxes are broken down as follows:

General Alimony	Mills 5.86
Total	5.86

(3) RESTRICTED ASSETS - PROPRIETARY FUND TYPES

At June 30, 2017, restricted assets of the enterprise funds were invested in either interest bearing checking accounts or time deposits and were restricted for the following purposes:

Customer Deposits	Water \$ 9,973
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VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

(4) FIXED ASSETS

PROPERTY ENTERPRISE FUND: PLANT AND EQUIPMENT

A summary of enterprise fund property, plant and equipment at June 30, 2017, is as follows:

	Balance 6-30-2016	Additions (Deletions)	Balance 6-30-2017
<u>Water</u>			
Distribution System *	\$ 3,559,408	\$ -0-	\$ 3,559,408
Accumulated Depreciation	(405,599)	(81,643)	(487,242)
Net	3,153,809	(81,643)	3,072,166
 <u>Sewer</u>			
Plant	671,020	-0-	671,020
Accumulated Depreciation	(325,436)	(13,420)	(338,856)
Net	\$ 345,584	\$ (13,420)	\$ 332,164

* Land in the amount of \$600 is not being depreciated.

Enterprise fund assets are depreciated on the straight-line basis using the following useful lives:

Sewer Plant	40 Years
Water Plant	40 Years
Equipment	5-10 Years

GOVERNMENTAL FUND

A summary of governmental fund depreciable assets at June 30, 2017, is as follows:

	Balance 6-30-2016	Additions (Deletions)	Balance 6-30-2017
Equipment	\$ 556,477	\$ -0-	\$ 556,477
Accumulated Depreciation	(225,720)	(13,912)	(239,632)
Net	\$ 330,757	\$ (13,912)	\$ 316,845

Government fund assets are depreciated on the straight-line basis using the following useful lives:

Equipment	5-10 Years
Buildings	40 Years

VILLAGE OF SIKES, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

(5) ELECTED OFFICIAL'S SALARIES

Name	Title	Annualized Salary
Kenneth R. Womack	Mayor	\$2,700
Mike Riffe	Alderman	\$480
Rita Wroten	Alderman	\$480
Gary Dunn	Alderman	\$480

(6) USE OF ESTIMATES

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

(7) ENCUMBRANCES

The entity does not utilize encumbrance accounting.

(8) RETIREMENT PLANS

The entity does not offer its employees a retirement plan. All employees are in the social security system.

**Required Supplemental
Information**

Village of Sikes, Louisiana
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual
General Fund
For the Year Ended June 30, 2017

	BUDGET AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	BUDGET VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Fees & Charges	\$ 5,962	\$ 5,962	\$ 1,592	\$ (4,370)
Taxes	1,098	1,098	5,939	4,841
Other	1,100	1,100	941	(159)
TOTAL REVENUES	<u>8,160</u>	<u>8,160</u>	<u>8,472</u>	<u>312</u>
EXPENDITURES				
General & Administrative	6,217	6,217	8,089	(1,872)
Repairs and Maintenance	400	400	209	191
Utilities	3,000	3,000	1,872	1,128
Other	-0-	-0-	-0-	-0-
TOTAL EXPENDITURES	<u>9,617</u>	<u>9,617</u>	<u>10,170</u>	<u>(553)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,457)</u>	<u>(1,457)</u>	<u>(1,698)</u>	<u>(241)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-0-	-0-	6,000	6,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>-0-</u>	<u>6,000</u>	<u>6,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,457)</u>	<u>\$ (1,457)</u>	4,302	<u>\$ 5,759</u>
FUND BALANCES--BEGINNING			<u>5,009</u>	
FUND BALANCES--ENDING			<u>\$ 9,311</u>	

The accompanying notes are an integral part of this statement.

Other Information

Village of Sikes, Louisiana
Schedule of Compensation Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2017

Honorable Kenneth Womack, Mayor

Purpose	Amount
Salary	\$ 2,700
Benefits-Insurance	-0-
Benefits-Retirement	-0-
Benefits (Expense Allowance)	-0-
Car Allowance	-0-
Vehicle Provided by Government	-0-
Per Diem	-0-
Reimbursements	-0-
Travel	-0-
Registration Fees	-0-
Conference Travel	-0-
Continuing Professional Education Fees	-0-
Housing	-0-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

*An example of an un-vouchered expense would be a travel advance.

The accompanying notes are an integral part of this statement.

Other Reports

VILLAGE OF SIKES, LOUISIANA

MANAGEMENT LETTER COMMENTS

During the course of our review, we observed conditions and circumstances that may be improved. Below are findings noted for improvement, our recommendation for improvement and the Village's plan for corrective action.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

2017-1 Budget Variance

Condition: The Village had an unfavorable expenditure variance of \$553 or 5.8% in its general fund budget for the year ended June 30, 2017.

Criteria: The Budget Act requires that budgets be amended when the variance exceeds 5%.

Cause of Condition: The Village did not amend the budget for the variance.

Effect of Condition: Violation of the Budget Act.

Recommendation: The Village should amend its budget when there is a budget variance of 5% or more.

Client Response: The Village will amend its budget when there is a budget variance of 5% or more.

2017-2 Bank Reconciliations

Condition: The Village is not reconciling its various bank accounts and not agreeing the reconciled cash with the Village's books.

Criteria: Good internal controls require that bank accounts be reconciled and agreed to the Village's books on a monthly basis.

Cause of Condition: Not reconciling bank accounts.

Effect of Condition: Financial statement presentation errors.

Recommendation: All bank accounts should be reconciled and agreed to the books on a monthly basis.

Client Response: All bank statements will be reconciled and agreed to the books on a monthly basis.

VILLAGE OF SIKES, LOUISIANA

MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Village of Sikes, Louisiana has provided the following action summaries relating to management letter comments brought to their attention as a result of their financial compilation for the year ended June 30, 2016.

PRIOR YEAR FINDINGS

2016-1 Bank Reconciliations

Condition: The Village is not reconciling its various bank accounts and not agreeing the reconciled cash with the Village's books. Good internal controls require that bank accounts be reconciled and agreed to the Village's books on a monthly basis.

Corrective Action: All bank statements will be reconciled and agreed to the books on a monthly basis.

2016-2 Utility Billing Reports

Condition: During tests of the utility revenue, the auditor found that the billing reports show \$104,485 of billed revenue and the books show \$95,853, an \$8,632 difference. The auditor was unable to determine the cause of this difference. Billed utility revenue should equal book revenue or any differences should be documented and explained.

Corrective Action: The Village will review and document differences in billed revenue and booked revenue.

2016-3 Annual Filing of Financial Statements

Condition: The Village did not file their financial statements with the Legislative Auditor on a timely basis. LSA-RA 24:514, LSA-RA 33:463, and/or LSA-RS 39-92, as applicable, require that governmental units file their financial statements annually with the Legislative Auditor's Office within six months of the entity's year end.

Corrective Action: The Village will have their audit completed in time to file with the Legislative Auditor's Office within six months of the Village's year and closing.

VILLAGE OF SIKES, LOUISIANA

MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Village of Sikes, Louisiana has provided the following action summaries relating to management letter comments brought to their attention as a result of their financial compilation for the year ended June 30, 2016.

PRIOR YEAR FINDINGS (CONTINUED)

2016-4 Delinquent Payroll Taxes

Condition: As of June 30, 2016, the Village was delinquent in paying \$2,002 in payroll taxes. Civil statutes require all taxes withheld or due from employees to be paid timely.

Corrective Action: The Village has made payment of all payroll taxes that were in arrears.

2016-5 Budget Variance

Condition: The Village had an unfavorable revenue variance of \$1,162 or 14% in its general fund budget for the year ended June 30, 2016. The Budget Act requires that budgets be amended when the variance exceeds 5%.

Corrective Action: The Village will amend its budget when there is a budget variance of 5% or more.

2016-6 Small Size of Entity

Condition: Because of the small size of the Village and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village's cash. Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving, and check writing.

Corrective Action: Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

VILLAGE OF SIKES, LOUISIANA

MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Village of Sikes, Louisiana has provided the following action summaries relating to management letter comments brought to their attention as a result of their financial compilation for the year ended June 30, 2016.

PRIOR YEAR FINDINGS (CONTINUED)

2016-7 Documentation of Expenditures

Condition: During the test of a random sample of expenditures, the auditor found that there were 6 expenditures out of a sample of 35 expenditures or 17% did not have documentation or adequate documentation. Good accounting practices require that all expenditures be documented as to the description of the expenditure and the business purpose, unless readily determinable from the documentation.

Corrective Action: All expenditures will be documented as to the description and the business purpose of the expenditure, unless readily determinable from the documentation.