
VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Honorable Anthony Borill, Mayor
and the Board of Aldermen
Village of Estherwood, 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 Village of Estherwood, Louisiana (the Village or Estherwood), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village of Estherwood'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.

Auditors' 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 auditors' 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 Village of Estherwood, Louisiana, as of June 30, 2017, 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 certain supplementary information consisting of management's discussion and analysis and budgetary comparison information on pages 3-9 and 35-37, respectively, 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 Village of Estherwood's basic financial statements. The schedule of compensation, benefits, and other payments to the Mayor is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits, and other payments to the Mayor is the responsibility of management and was derived from and relates 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 compensation, benefits, and other payments to the Mayor is fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the Village has suffered recurring losses from operations in its proprietary funds that has led to deficit unrestricted net position in those funds as well as minimal unassigned fund balance in its general fund. Management's evaluation of the events and conditions and management's plans to mitigate those matters are also described in Note 14. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Village's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Lafayette, Louisiana

December 31, 2017

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

This section of the Village of Estherwood's (the Village) annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Village's combined total net position decreased by \$175,672 or 8.88% over the course of this year's operations. Net position of the governmental activities increased by \$15,451 or 2.94% while net position of the business-type activities decreased by \$191,123 or 13.16%.
- The general fund reported a \$126,273 fund balance at year end. However, \$117,139 of this amount is non-spendable and \$4,668 is restricted, leaving the Village with minimal spendable operating reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water, sewer, and gas systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Figure A-1 Major Features of the Village's Government and Fund Financial Statements				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	
Scope	Entire Village government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as sales tax, police, and streets. Costs are paid for primarily through taxes and grants.	Activities the Village operates similar to private businesses: the water, sewer, and gas system. Costs are covered through fee charges.	
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term debt	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments are due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Government-wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net positions and how they have changed. Net position—the difference between the Village's assets and liabilities—is one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as changes in the Village's tax base and the condition of the Village's infrastructure.

The government-wide financial statements of the Village are divided into two categories:

- Governmental activities—most of the Village's basic services are included here, such as the police, public works, and general administration. Property taxes, sales taxes, franchise fees, and interest finance most of these activities.
- Business-type activities—The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water, sewer, and gas systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds—not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law, while others may be required by bond covenants. The Village has two kinds of funds:

- Governmental funds—Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Table A-1
The Village's Statement of Net Position

	Governmental Activities		Business-Type Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 32,482	\$ 41,874	\$ 108,275	\$ 150,329
Internal balances	117,139	79,691	(117,139)	(79,691)
Capital assets	414,154	418,601	2,010,866	2,124,588
Total assets	563,775	540,166	2,002,002	2,195,226
Current liabilities	23,348	15,190	69,979	112,987
Long term liabilities	-	-	670,370	629,463
Total liabilities	23,348	15,190	740,349	742,450
Net position				
Net investment in capital assets	414,154	418,601	1,340,496	1,449,300
Unrestricted	126,273	106,375	(78,843)	3,476
Total net position	\$ 540,427	\$ 524,976	\$1,261,653	\$1,452,776

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Change in net position. The Village's total revenues decreased \$113,509 (See Table A-2). The decrease was primarily attributable to a decrease in capital grant funding from the State of Louisiana due to project completion. Additionally, fines decreased approximately \$30,000 due to officers issuing less citations during 2017. During 2017, approximately 13.9 percent of the Village's revenue came from grants and contributions, 54.7 percent from charges for services, and 24.1 percent from tax collections. The total cost of all programs and services decreased by \$20,405.

Table A-2
Changes in Village's Net Position

	Governmental Activities		Business-Type Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues				
Program revenues				
Charges for services	\$ 33,400	\$ 69,623	\$ 217,146	\$ 224,472
Grants and contributions	24,048	11,445	39,493	123,483
General revenues				
Taxes	110,174	104,894	-	-
Licenses and permits	23,731	23,458	-	-
Miscellaneous	6,817	12,495	3,234	1,682
Total revenues	198,170	221,915	259,873	349,637
Expenses				
General government	94,816	100,019	-	-
Public safety	33,719	41,909	-	-
Public works	54,184	57,210	361,404	365,390
Total expenses	182,719	199,138	361,404	365,390
Loss on disposal of capital assets	-	-	(89,592)	-
Increase (decrease) in net position	\$ 15,451	\$ 22,777	\$ (191,123)	\$ (15,753)

Governmental Activities

Revenues for the Village's governmental activities decreased \$23,745 or 10.7 percent, while total expenses decreased \$16,419 or 8.2 percent.

Business-type Activities

Revenues for the Village's business-type activities decreased \$89,764 or 25.7 percent due to the discontinuance of the grant, and costs of services decreased \$3,986 or 1.1 percent.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As the Village completed the year, its governmental fund reported a fund balance of \$126,273 while the enterprise funds reported combined net position of \$1,261,653. However, the majority of this fund equity is non-spendable and the Village's operating reserves are minimal.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village Council revised the General Fund budget to adjust various revenues and expenditures. With these adjustments, actual expenditures were approximately \$963 less than final budgeted expenditures. Also, actual revenues were approximately \$44,637 more than final budgeted revenues.

CAPITAL ASSETS

At June 30, 2017, the Village had invested approximately \$2.42 million in a broad range of capital assets, including police department equipment, buildings, vehicles, and gas, sewer, and water systems (See Table A-3). This amount represents a net decrease (including additions, like water system improvements, and deductions such as depreciation) of \$118,169 from last year.

Table A-3
Village's Capital Assets

	Governmental Activities		Business Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Improvements other than buildings	\$ 343,121	\$ 343,121	\$ -	\$ -
Buildings	133,025	133,025	-	-
Infrastructure	827,238	827,238	3,158,549	2,433,321
Equipment	148,800	154,471	119,690	126,445
Land	10,479	10,479	37,480	37,480
Construction in Progress	20,025	-	16,089	919,902
Accumulated depreciation	(1,068,534)	(1,049,733)	(1,320,942)	(1,392,560)
Total	\$ 414,154	\$ 418,601	\$ 2,010,866	\$ 2,124,588

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

LONG TERM DEBT

At the end of the current fiscal year, the Village had long term debt outstanding of \$670,370 as compared to \$629,463 in the prior year (See Table A-4). This net increase is due to issuance of (or draws upon) utility revenue bonds in the amount of \$61,296 in the current year and principal repayments and forgiveness of \$20,389. More information about the Village's long-term liabilities is presented in Note 8 to the financial statements.

Table A-4
Village's Outstanding Debt

	Governmental Activities		Business Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Utility Revenue Bonds	\$ -	\$ -	\$ 670,370	\$ 629,463

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's major sources of revenue for the general fund are comprised from sales tax, licenses and permits, and fines. The economy of the Village is not expected to generate any significant change from these revenue sources in the next fiscal year.

The major source of revenue for the proprietary funds is charges for utility services. Subsequent to year end, the Board of Aldermen voted to increase utility rates of the Village. An increase in water rates was implemented in September 2017. The base rate for commercial and public water customers increased to \$18.75 for the first 1,000 gallons of usage. The overage rate increased to \$6 for each 1,000 gallons or part thereof. Other types of customers also received an increase, as specified by the Board. An increase in gas rates was also implemented in November 2017. The monthly availability charge for residential customers increased to \$8.50, plus usage charges based on the weighted average cost of gas per 100 cubic foot plus \$1. The monthly availability charge for commercial customers increased to \$15, plus usage charges based on the weighted average cost of gas per 100 cubic foot plus \$1. Other types of customers also received an increase, as specified by the Board. The Board intends to revisit the impact of these increases and make additional adjustments as needed in April 2018.

As indicated in footnote 14 to the financial statements, the Village has experienced operating deficits and cash flow shortages in its proprietary funds in recent years, and operating reserves have depleted as a result. Successful implementation of the rate increases mentioned above is needed order for the Village to meet its ongoing obligations.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Office (P.O. Box 167, Estherwood, LA 70534).

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash	\$ 3,549	\$ 28,084	\$ 31,633
Accounts receivable, net	-	20,216	20,216
Unbilled services receivable	-	8,134	8,134
Franchise fee receivable	7,741	-	7,741
Due from other governmental agencies	16,524	4,735	21,259
Internal balances	117,139	(117,139)	-
Restricted assets:			
Cash	4,668	37,031	41,699
Certificates of deposit	-	10,075	10,075
Capital assets:			
Non-depreciable	30,504	53,569	84,073
Depreciable, net	383,650	1,957,297	2,340,947
	<u>383,650</u>	<u>1,957,297</u>	<u>2,340,947</u>
TOTAL ASSETS	<u>\$ 563,775</u>	<u>\$ 2,002,002</u>	<u>\$ 2,565,777</u>
<u>LIABILITIES:</u>			
Accounts payable and accrued liabilities	\$ 23,348	\$ 10,349	\$ 33,697
Unearned grant revenue	-	12,524	12,524
Customer deposits	-	47,106	47,106
Long-term liabilities:			
Bonds payable	-	670,370	670,370
	<u>-</u>	<u>670,370</u>	<u>670,370</u>
TOTAL LIABILITIES	<u>23,348</u>	<u>740,349</u>	<u>763,697</u>
<u>NET POSITION:</u>			
Net investment in capital assets	414,154	1,340,496	1,754,650
Restricted for police auxiliary	4,668	-	4,668
Unrestricted	121,605	(78,843)	42,762
	<u>121,605</u>	<u>(78,843)</u>	<u>42,762</u>
TOTAL NET POSITION	<u>\$ 540,427</u>	<u>\$ 1,261,653</u>	<u>\$ 1,802,080</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Fees, Fines, and Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental:						
General government	\$ 94,816	\$ -	\$ 22,848	\$ (71,968)	\$ -	\$ (71,968)
Public safety	33,719	30,200	1,200	(2,319)	-	(2,319)
Public works	54,184	3,200	-	(50,984)	-	(50,984)
Total governmental activities	<u>182,719</u>	<u>33,400</u>	<u>24,048</u>	<u>(125,271)</u>	<u>-</u>	<u>(125,271)</u>
Business-type:						
Water	153,791	108,010	36,275	-	(9,506)	(9,506)
Gas	80,620	50,161	-	-	(30,459)	(30,459)
Sewer	126,993	58,975	3,218	-	(64,800)	(64,800)
Total business-type activities	<u>361,404</u>	<u>217,146</u>	<u>39,493</u>	<u>-</u>	<u>(104,765)</u>	<u>(104,765)</u>
Total	<u>\$ 544,123</u>	<u>\$ 250,546</u>	<u>\$ 63,541</u>	<u>(125,271)</u>	<u>(104,765)</u>	<u>(230,036)</u>
General revenues:						
Taxes-						
Property				22,284	-	22,284
Sales				55,721	-	55,721
Franchise				32,169	-	32,169
Licenses and permits				23,731	-	23,731
Grants and contributions not restricted to specific programs						
				966	-	966
Investment income				8	18	26
Miscellaneous				5,843	3,216	9,059
Loss on disposal of capital assets				-	(89,592)	(89,592)
Total general revenues				<u>140,722</u>	<u>(86,358)</u>	<u>54,364</u>
Change in net position				15,451	(191,123)	(175,672)
Net position, beginning				<u>524,976</u>	<u>1,452,776</u>	<u>1,977,752</u>
Net position, ending				<u>\$ 540,427</u>	<u>\$ 1,261,653</u>	<u>\$ 1,802,080</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017

	General Fund
<u>ASSETS</u>	
Cash	\$ 3,549
Cash, restricted for police auxiliary	4,668
Due from other governmental agencies	16,524
Franchise fee receivable	7,741
Due from other funds	117,139
	117,139
TOTAL ASSETS	\$ 149,621
 <u>LIABILITIES</u>	
Accounts payable and accrued liabilities	23,348
TOTAL LIABILITIES	23,348
 <u>FUND BALANCE</u>	
Non-spendable	117,139
Restricted	4,668
Unassigned	4,466
TOTAL FUND BALANCE	126,273
TOTAL LIABILITIES AND FUND BALANCE	\$ 149,621

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Fund balance at June 30, 2017 - governmental fund	\$	126,273
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets at June 30, 2017	1,482,688	
Less: Accumulated depreciation at June 30, 2017	<u>(1,068,534)</u>	<u>414,154</u>

Net position at June 30, 2017 - Governmental Activities	\$	<u><u>540,427</u></u>
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See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund
<u>REVENUES:</u>	
Sales taxes	\$ 55,721
Property taxes	22,284
Franchise taxes	32,169
Licenses and permits	23,731
Intergovernmental	25,014
Charges for services	3,200
Fines	30,200
Investment income	8
Miscellaneous	5,843
Total revenues	198,170
 <u>EXPENDITURES:</u>	
Current-	
General government	87,015
Public safety	33,246
Public works	37,986
Capital outlay	20,025
Total expenditures	178,272
 Net change in fund balance	 19,898
 Fund balance, beginning	 106,375
 Fund balance, ending	 \$ 126,273

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - governmental fund	\$	19,898
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Amounts reported for governmental activities in the statement of activities are 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 outlay	\$	20,025	
Depreciation expense		<u>(24,472)</u>	<u>(4,447)</u>

Change in net position of governmental activities	\$	<u>15,451</u>
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See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
ASSETS:				
CURRENT ASSETS -				
Cash	\$ 4,192	\$ 5,613	\$ 18,279	\$ 28,084
Accounts receivable, net	10,938	2,987	6,291	20,216
Unbilled services receivable	4,372	1,317	2,445	8,134
Due from other funds	-	-	412	412
Due from other governmental agencies	4,735	-	-	4,735
Restricted assets:				
Cash	13,823	9,200	14,008	37,031
Certificates of deposit	4,267	2,785	3,023	10,075
TOTAL CURRENT ASSETS	<u>42,327</u>	<u>21,902</u>	<u>44,458</u>	<u>108,687</u>
NON-CURRENT ASSETS -				
Capital assets:				
Non-depreciable	16,089	-	37,480	53,569
Depreciable, net	932,004	7,572	1,017,721	1,957,297
TOTAL NON-CURRENT ASSETS	<u>948,093</u>	<u>7,572</u>	<u>1,055,201</u>	<u>2,010,866</u>
TOTAL ASSETS	<u>\$ 990,420</u>	<u>\$ 29,474</u>	<u>\$ 1,099,659</u>	<u>\$ 2,119,553</u>
LIABILITIES:				
CURRENT LIABILITIES -				
Accounts payable	\$ 8,469	\$ 1,880	\$ -	\$ 10,349
Accrued interest payable	-	-	-	-
Unearned grant revenue	-	-	12,524	12,524
Due to other funds	49,650	41,576	26,325	117,551
Current liabilities paid from restricted funds:				
Customers' deposits	18,090	11,985	17,031	47,106
TOTAL CURRENT LIABILITIES	<u>76,209</u>	<u>55,441</u>	<u>55,880</u>	<u>187,530</u>
NON-CURRENT LIABILITIES -				
Bonds payable, long-term portion	670,370	-	-	670,370
TOTAL LIABILITIES	<u>746,579</u>	<u>55,441</u>	<u>55,880</u>	<u>857,900</u>
NET POSITION:				
Net investment in capital assets	277,723	7,572	1,055,201	1,340,496
Unrestricted (deficit)	(33,882)	(33,539)	(11,422)	(78,843)
TOTAL NET POSITION	<u>243,841</u>	<u>(25,967)</u>	<u>1,043,779</u>	<u>1,261,653</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 990,420</u>	<u>\$ 29,474</u>	<u>\$ 1,099,659</u>	<u>\$ 2,119,553</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 108,010	\$ 50,161	\$ 58,975	\$ 217,146
Miscellaneous	-	3,216	-	3,216
Total operating revenues	<u>108,010</u>	<u>53,377</u>	<u>58,975</u>	<u>220,362</u>
Operating expenses:				
Salaries and payroll taxes	26,668	31,116	26,644	84,428
Materials and supplies	22,056	3,853	7,502	33,411
Office expenses	397	1,568	1,480	3,445
Depreciation	20,425	1,155	45,808	67,388
Utilities and telephone	3,866	585	6,692	11,143
Water purchased	14,581	-	-	14,581
Fuel purchased	-	13,906	-	13,906
Professional services	4,301	5,671	18,264	28,236
Repairs and maintenance	29,355	10,647	11,505	51,507
Insurance	2,621	3,924	6,567	13,112
Miscellaneous	7,315	8,195	2,531	18,041
Total operating expenses	<u>131,585</u>	<u>80,620</u>	<u>126,993</u>	<u>339,198</u>
Operating loss	<u>(23,575)</u>	<u>(27,243)</u>	<u>(68,018)</u>	<u>(118,836)</u>
Nonoperating revenue (expense):				
Grant revenue	17,886	-	3,218	21,104
Investment income	18	-	-	18
Interest expense	(22,206)	-	-	(22,206)
Total nonoperating revenue (expense)	<u>(4,302)</u>	<u>-</u>	<u>3,218</u>	<u>(1,084)</u>
Loss before capital contributions and loss on disposal of capital assets	<u>(27,877)</u>	<u>(27,243)</u>	<u>(64,800)</u>	<u>(119,920)</u>
Capital contributions	18,389	-	-	18,389
Loss on disposal of capital assets	<u>(89,592)</u>	<u>-</u>	<u>-</u>	<u>(89,592)</u>
Change in net position	(99,080)	(27,243)	(64,800)	(191,123)
Net position, beginning	<u>342,921</u>	<u>1,276</u>	<u>1,108,579</u>	<u>1,452,776</u>
Net position, ending	<u>\$ 243,841</u>	<u>\$ (25,967)</u>	<u>\$ 1,043,779</u>	<u>\$ 1,261,653</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Water Utility Fund	Gas Utility Fund	Sewer Utility Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 107,176	\$ 49,957	\$ 58,410	\$ 215,543
Payments to suppliers for goods and services	(83,694)	(48,885)	(58,905)	(191,484)
Payments to employees for services	(26,668)	(31,116)	(26,644)	(84,428)
Other operating receipts	-	3,216	-	3,216
Net cash used in operating activities	<u>(3,186)</u>	<u>(26,828)</u>	<u>(27,139)</u>	<u>(57,153)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Increase in customers' deposits	1,955	745	1,990	4,690
Payments to and from other funds, net	8,497	24,655	4,296	37,448
Net cash provided by non-capital financing activities	<u>10,452</u>	<u>25,400</u>	<u>6,286</u>	<u>42,138</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on investment	18	-	-	18
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchase of capital assets	(64,122)	(5,800)	(5,274)	(75,196)
Proceeds from issuance of debt	61,296	-	-	61,296
Principal payments on debt	(2,000)	-	-	(2,000)
Interest expense paid	(32,501)	-	-	(32,501)
Grant revenue received	18,430	-	15,742	34,172
Net cash provided by (used in) capital and related financing activities	<u>(18,897)</u>	<u>(5,800)</u>	<u>10,468</u>	<u>(14,229)</u>
Net decrease in cash and cash equivalents	(11,613)	(7,228)	(10,385)	(29,226)
Cash and cash equivalents, beginning of year	29,628	22,041	42,672	94,341
Cash and cash equivalents, end of year	<u>\$ 18,015</u>	<u>\$ 14,813</u>	<u>\$ 32,287</u>	<u>\$ 65,115</u>
Classified as:				
Current assets	\$ 4,192	\$ 5,613	\$ 18,279	\$ 28,084
Restricted assets	13,823	9,200	14,008	37,031
Total	<u>\$ 18,015</u>	<u>\$ 14,813</u>	<u>\$ 32,287</u>	<u>\$ 65,115</u>
<u>Reconciliation of net income to net cash provided by operating activities:</u>				
Loss from operations	\$ (23,575)	\$ (27,243)	\$ (68,018)	\$ (118,836)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation expense	20,425	1,155	45,808	67,388
Change in assets and liabilities:				
Receivables, net	(834)	(204)	(565)	(1,603)
Accounts payable	798	(536)	(4,364)	(4,102)
Net cash used in operating activities	<u>\$ (3,186)</u>	<u>\$ (26,828)</u>	<u>\$ (27,139)</u>	<u>\$ (57,153)</u>
Non cash capital and related financing activities:				
Forgiveness of debt	\$ 18,389	\$ -	\$ -	\$ 18,389

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Village of Estherwood, Louisiana (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Village are described below.

Financial Reporting Entity:

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary Government-

The Village was incorporated in 1901, under the Lawrason Act. The Village operates under a Mayor- Board of Aldermen form of government and provides the following services to its residents as authorized by its charter: public safety (police), highways and streets, recreation, and general administrative services. The Village also operates three enterprise activities, which provide water, gas, and sewer services.

Component Units-

Governmental Accounting Standards Board (GASB) codification section 2100 establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

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

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

Based on the above criteria, the Village does not have any component units, nor is it considered to be a component unit of any other government.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation:

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The minimum number of funds maintained by the Village is consistent with legal and managerial requirements.

A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities.

The basic financial statements include both government-wide (reporting on the government of the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's public safety, public works, culture and recreation, and general administrative services are classified as governmental activities. The Village's water, gas, and sewer operations are classified as business-type activities.

Government-Wide Financial Statements-

The government-wide financial statements include a statement of net position and statement of activities. These statements report financial information about the Village as a whole. In the process of aggregating data for the statement of net position and the statement of activities some amounts reported as interfund activity and balances in the fund financial statements were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities and the business-type activities column of the government-wide financial statements.

In the statement of net position, the governmental activities column (1) is presented on a consolidated basis by column, and (2) is reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A "function" is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses associated with a distinct functional activity. Program revenues includes: (1) charges for services which report fees, fines, and forfeits, and other charges to users of the Village's services, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues may be subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Village reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included as a direct expense of each function. Interest on long-term debt is also specifically identified in the statement of activities. The Village does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

Fund Financial Statements-

The fund financial statements provide information about the Village's funds. Separate statements for each fund category- governmental and proprietary- are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities.

The Village reports the following major governmental fund:

General Fund- used to account for all financial resources traditionally associated with governments that are not required to be accounted for in another fund.

The Village reports the following major proprietary funds:

Water Utility Fund- used to account for the provision of water services to the residents of the Village.

Gas Utility Fund- used to account for the provision of natural gas services to the residents of the Village.

Sewer Utility Fund- used to account for the provision of sewer services to the residents of the Village.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Nonmajor funds are summarized into a single column (although the Village has no nonmajor funds at this time). GASB statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments," sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary funds combined) for the determination of major funds.

Application of the accrual basis of accounting may, at times, require use of certain private sector standards issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989. In determining which of those standards to apply, the Village follows the guidance included in GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting – Measurement Focus:

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements; measurement focus refers to what is being measured. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-Wide and Proprietary Fund Financial Statements-

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services and the expenses include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Governmental Fund Financial Statements-

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of “available spending resources.” Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spending resources” during a period. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collection within the current period or soon enough thereafter to be used to pay liabilities of the current period. Taxpayer-assessed income, gross receipts, and sales and use taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditure driven grant revenues are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued because they do not vest or accumulate, and (2) principal and interest on general long-term debt which is recognized when due.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents:

Cash includes amounts in demand deposits and on hand. For purposes of reporting cash flows, the Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Village has no cash equivalents at June 30, 2017.

Investments:

Under State law, the Village may invest in United States bonds, treasury notes or certificates, or time certificates of deposit of State banks having their principle office in the State of Louisiana, or any other federally insured investment. The Village may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. The Village's investments at June 30, 2017, consisted of time certificates of deposit purchased from local financial institutions.

Custodial Credit Risk:

The Village is subjected to custodial credit risk as it relates to their deposits with financial institutions. The Village's policy to ensure there is no exposure to this risk is to require each financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. These securities must be held in the Village's name. Accordingly, the Village had no custodial credit risk related to its deposits at June 30, 2017.

Receivables:

Accounts receivable for the Water, Gas and Sewer Utility Funds are reported net of an allowance for doubtful accounts. The allowance at June 30, 2017 for the Water, Gas, and Sewer Utility funds was \$1,249, \$ 5,177, and \$987, respectively.

Interfund Receivables and Payables:

During the course of operations, numerous transactions occur between individual funds for goods and services rendered. These receivables and payables are classified as due from other funds or due to other funds in the fund financial statements. Short-term interfund loans are classified as interfund receivables/payables in the fund financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted Assets:

Certain resources of the Water, Gas, and Sewer Utility funds are classified as restricted assets in the financial statements because they represent customer's deposits being held by the Village.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets:

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements-

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost and have been included in the accompanying financial statements. Those with a cost of \$1,000 or more and a useful life of more than one year are capitalized.

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

	<u>Years</u>
Building and Improvements	20-40
Machinery and Equipment	5-10
Infrastructure	20
Water Utility System	10-25
Gas Utility System	10-25
Sewer Utility System	10-25

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fund Financial Statements-

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

Compensated Absences:

Sick leave is credited to permanent full-time employees at a rate of 1.25 days for each month of continuous employment. Unused sick leave is not paid upon termination or separation from employment and is therefore not recorded in the financial statements. Employees earn vacation leave at varying rates of 10 to 20 days per year, depending on length of service. Any unused vacation leave expires at the end of each calendar year. Unused vacation leave is paid upon termination or separation from employment. As of June 30, 2017, any liability for this accumulated leave is considered immaterial to the financial statements taken as a whole and is therefore not recorded.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt:

The accounting treatment of long-term debt depends on whether the debt relates to governmental or proprietary fund obligations and whether it is being reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

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

Deferred Outflows and Deferred Inflows:

Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Village had no deferred outflows or deferred inflows at June 30, 2017.

Equity classifications:

Government-wide statements and Proprietary Fund Statements -

Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

Restricted net position reflects net position when there are limitations imposed on a net position's use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

Governmental Fund Financial Statements- Equity

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below in accordance with Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. Proprietary fund equity is classified the same as it is in the government-wide statements.

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory or amounts due from another fund that are not expected to be repaid within one year) or are required to be maintained intact;
- 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;
- 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;
- 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;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget document as a commitment of the fund (such as for special incentives). Assigned fund balance is established by the Village's management as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bad Debts:

Uncollectible amounts due from customers' utility receivables are recognized as bad debts by the use of the allowance method.

Interfund Transfers:

Permanent reallocations of resources between funds of the primary government are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and individual proprietary funds have been eliminated.

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Village is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The Village recorded no impairment losses during the year ended June 30, 2017.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reporting period. Accordingly, actual results could differ from those estimates.

2. PROPERTY TAXES

Property taxes are recognized in the year for which they are levied, net of uncollectible amounts, as applicable.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable by December 31. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the year ended June 30, 2017, property taxes of 7.06 mills were levied for general corporate purposes on assessed valuations totaling \$2,092,340. Total taxes levied were \$14,752. Additionally, the local housing authority paid \$7,681 in lieu of property taxes during 2017.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

3. COMPENSATION PAID TO ELECTED OFFICIALS

Compensation paid to elected officials for the year ended June 30, 2017 includes:

Anthony Borill, Mayor	\$ 1,200
Donna Bertrand, Alderman	600
Donald Popp, Alderman	600
Jo Ann Trahan, Alderman	600
Ernest J, Villejoin, Sr., Chief of Police	6,600
	<u>\$ 9,600</u>

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies at June 30, 2017 consisted of the following:

Sales and use tax receivable	\$ 11,823
Grant receivable	7,558
Other	1,878
	<u>\$ 21,259</u>

5. INTERFUND BALANCES

Balances between funds at June 30, 2017 are as follows:

<u>Due From</u>	<u>Due To</u> <u>General Fund</u>	<u>Due To</u> <u>Water Fund</u>	<u>Total</u>
Water Utility Fund	\$ 50,062	\$ -	\$ 50,062
Gas Utility Fund	41,576	-	41,576
Sewer Utility fund	25,501	412	25,913
Total interfund balances	<u>\$ 117,139</u>	<u>\$ 412</u>	<u>\$ 117,551</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

6. CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 10,479	\$ -	\$ -	\$ 10,479
Construction in progress	-	20,025	-	20,025
Total capital assets not being depreciated	<u>10,479</u>	<u>20,025</u>	<u>-</u>	<u>30,504</u>
Capital assets being depreciated				
Buildings and improvements	133,025	-	-	133,025
Land improvements	343,121	-	-	343,121
Machinery and equipment	154,471	-	(5,671)	148,800
Infrastructure	827,238	-	-	827,238
Total capital assets being depreciated	<u>1,457,855</u>	<u>-</u>	<u>(5,671)</u>	<u>1,452,184</u>
Less accumulated depreciation for				
Buildings and improvements	(104,297)	(3,639)	-	(107,936)
Land Improvements	(343,121)	-	-	(343,121)
Machinery and Equipment	(141,607)	(5,072)	5,671	(141,008)
Infrastructure assets	(460,708)	(15,761)	-	(476,469)
Total accumulated depreciation	<u>(1,049,733)</u>	<u>(24,472)</u>	<u>5,671</u>	<u>(1,068,534)</u>
Total governmental Capital assets being depreciated, net	<u>408,122</u>	<u>(24,472)</u>	<u>-</u>	<u>383,650</u>
Total governmental activities capital assets, net	<u>\$ 418,601</u>	<u>\$ (4,447)</u>	<u>\$ -</u>	<u>\$ 414,154</u>

(continued)

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

6. CAPITAL ASSETS AND DEPRECIATION (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business -type activities:				
Capital assets, not being depreciated				
Land	\$ 37,480	\$ -	\$ -	\$ 37,480
Construction in progress	919,902	32,184	(935,997)	16,089
Total capital assets not being depreciated	<u>957,382</u>	<u>32,184</u>	<u>(935,997)</u>	<u>53,569</u>
Capital assets being depreciated				
Water utility system	433,701	935,997	(210,272)	1,159,426
Gas utility system	56,280	-	(878)	55,402
Sewer utility system	1,943,340	1,274	(892)	1,943,722
Machinery and equipment	126,445	9,799	(16,554)	119,690
Total capital assets being depreciated	<u>2,559,766</u>	<u>947,070</u>	<u>(228,596)</u>	<u>3,278,240</u>
Less accumulated depreciation for				
Water utility system	(330,297)	(20,145)	120,681	(229,761)
Gas utility system	(56,106)	(64)	878	(55,292)
Sewer utility system	(888,143)	(43,940)	892	(931,191)
Machinery and equipment	(118,014)	(3,239)	16,554	(104,699)
Total accumulated depreciation	<u>(1,392,560)</u>	<u>(67,388)</u>	<u>139,005</u>	<u>(1,320,943)</u>
Total Business-type assets being depreciated, net	<u>1,167,206</u>	<u>879,682</u>	<u>(89,591)</u>	<u>1,957,297</u>
Total Business-type activities capital assets, net	<u>\$ 2,124,588</u>	<u>\$ 911,866</u>	<u>\$(1,025,588)</u>	<u>\$ 2,010,866</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

6. CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense for the year ended June 30, 2017 was charged as follows:

Governmental activities:

General government	\$ 7,801
Public safety	473
Public works	<u>16,198</u>
Total governmental activities depreciation expense	<u>\$ 24,472</u>

Business-type activities:

Water	\$ 20,425
Gas	1,155
Sewer	<u>45,808</u>
Total business-type activities depreciation expense	<u>\$ 67,388</u>

7. OPERATING LEASES

The Village has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. These leases are for copy machines and support government activities. Operating lease expenditures for the year ended June 30, 2017 totaled \$896.

8. LONG-TERM DEBT

Long-term debt activity of business-type activities for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Proceeds	Reductions	Balance June 30, 2017	Current Portion
Bonds payable	<u>\$ 629,463</u>	<u>\$ 61,296</u>	<u>\$ (20,389)</u>	<u>\$ 670,370</u>	<u>\$ -</u>

The Village entered into an agreement with the Louisiana Department of Health and Hospitals (the Department) as part of the Drinking Water Revolving Loan Fund whereby the Department has committed to loan the Village up to \$990,000 to fund construction, improvements, and replacement of a water system (project). The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the Village will be evidenced through the Series 2014 bonds in amounts up to \$990,000, and these bonds will mature in 20 principal installments, payable annually on each July 1. The principal payments began upon completion of the project. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). Interest on the bonds is incurred at the rate of 3.45% and payment thereof began in December 2014 and continues to occur semi-annually thereafter. The Village has \$29,472 remaining and available to be drawn on these bonds.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

8. LONG-TERM DEBT (continued)

The annual debt service requirements to maturity of this debt is as follows as of June 30, 2017:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 10,142	\$ 10,142
2019	26,000	20,001	46,001
2020	27,000	19,219	46,219
2021	28,000	18,408	46,408
2022	29,000	17,567	46,567
2023-2027	162,000	74,131	236,131
2028-2032	192,000	48,027	240,027
2033-2037	206,370	17,244	223,614
	<u>\$ 670,370</u>	<u>\$ 224,739</u>	<u>\$ 895,109</u>

In accordance with the agreement, thirty percent of the 2014 bond funds advanced to the Village are forgivable as a debt upon advancement. During 2017, advances in the amount of \$18,389 were forgiven.

The Village is required to create reserve accounts and maintain minimum balances within that account and to make monthly deposits into a sinking fund. As of June 30, 2017, the Village had not made the minimum monthly deposits into the sinking fund as required in the debt agreement.

During 2017, the Village incurred \$22,206 in interest expense related to the bonds payable.

9. INSURANCE RISK

The Village is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to cover any claims related to these risks.

10. GRANTS AND CONTRIBUTIONS

During the fiscal year ended June 30, 2017, the governmental activities received operating grants in the amount of \$4,003 and capital grants in the amount of \$20,045. The business-type activities received operating grants in the amount of \$21,104 and capital contributions in the amount of \$18,389.

11. COMMITMENTS AND CONTINGENCIES

The Village operates a Sanitary Wastewater Disposal System under a NPEDS permit. The NPEDS permit and the State permit under which the discharge is regulated has been the subject of scrutiny by the Environmental Protection Agency (EPA) and the Department of Environmental Quality. The Village is under an Administrative Order to upgrade its facility in order to comply with the permit and the expected more stringent permit discharges. The Village has been cited for past violations and a compliance order was issued. The Village has completed the building and rehabilitation of the sewer pond and the addition of a marsh/rockweed filter to achieve those limits.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. COMMITMENTS AND CONTINGENCIES (continued)

The Village continues to make efforts to comply with the permit limitations for discharge and to maintain the plant in accordance with those standards. While the Village is making efforts to resolve the violations detailed in the Administrative Order, the EPA is authorized to assess appropriate penalties if the violations are not corrected. As of June 30, 2017, the Village has not been assessed any such penalties.

In the normal course of operations, the Village receives grant funds from various Federal and State agencies. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The Village's management believes that any liability for reimbursement that may arise as a result of these audits would not be material to the Village's financial statements.

12. WHOLESALE WATER AGREEMENT

The Village entered into an agreement to purchase water for resale to its retail customers at a cost of \$1.50 per thousand (1,000) gallons from the Southwest Acadia Water Corporation, Inc. (the "SWAWC"). Water use by the Village in the act of combating fire, for fire training (up to a maximum of 10,000 gallons per month), and for the purpose of flushing lines (up to a maximum of 20,000 gallons per month) are deducted from the Village's usage in determining cost of water used. The Village is allowed one board member on the board of directors of SWAWC. The rate was to be effective for a period of five years from the date of first delivery of water (February 2008) under the agreement, at the end of which the rate can be adjusted by SWAWC. In June of 2010, the amounts paid by the Village for water increased to \$500 for the first 150,000 gallons plus \$2.00 per thousand (1,000) gallons thereafter as a result of SWAWC having filed Chapter 11 bankruptcy. In September and December of 2010, the rates increased to \$2.50 and \$3.00, respectively, per thousand (1,000) gallons after the first 150,000 gallons. Pursuant to bankruptcy proceedings, the Egan Water Corporations took control of the water production entity. The Village continues to purchase water monthly from Egan Water Corporation at a rate of \$500 for the first 150,000 gallons, plus \$3.00 per thousand (1,000) gallons, thereafter. Water purchased under this agreement totaled \$14,581 for the year ended June 30, 2017. When the Village's water project was completed in 2017, the Village discontinued this water purchase and the agreement was ended.

13. ON-BEHALF PAYMENTS FOR SALARIES

The Village's financial statements include payments totaling \$1,200 from the State of Louisiana for supplemental pay of the Chief of Police, which have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

14. CURRENT OPERATING ENVIRONMENT

The Village's proprietary funds experienced deficits in 2017, which significantly reduced the net position in the funds. Additionally, the general fund has made advances to those funds for operating purposes which has significantly depleted its spendable fund balance. These deficits are the result of increased expenditures that have not been balanced with recurring revenues of each fund. As described in Note 15, the Village increased rates in two of the proprietary funds subsequent to year end and will monitor the need for further increases in these rates in the future. These rate increases are intended to increase revenues to a level that will cover operating costs and begin to allow repayment of advances from the general fund to the proprietary funds.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

14. CURRENT OPERATING ENVIRONMENT (continued)

However, if these revenue levels are not achieved, then, the Village will further deplete the fund balance of its general fund and net position, thereby impacting its ability to provide services to its citizens and fulfill its mission. The Village's management, Mayor, and Board of Aldermen are working with the community and business leaders to review and secure more consistent revenue sources for operations.

15. SUBSEQUENT EVENTS

As described in Note 8, the Village finalized the debt maturity schedule for its long-term debt in July 2017.

Subsequent to year end, the Board of Aldermen voted to increase utility rates of the Village. An increase in water rates was implemented in September 2017. The base rate for commercial and public water customers increased to \$18.75 for the first 1,000 gallons of usage. The overage rate increased to \$6 for each 1,000 gallons or part thereof. Other types of customers also received an increase, as specified by the Board. An increase in gas rates was also implemented in November 2017. The monthly availability charge for residential customers increased to \$8.50, plus usage charges based on the weighted average cost of gas per 100 cubic foot plus \$1. The monthly availability charge for commercial customers increased to \$15, plus usage charges based on the weighted average cost of gas per 100 cubic foot plus \$1. Other types of customers also received an increase, as specified by the Board. The Board intends to revisit the impact of these increases and make additional adjustments as needed in April 2018.

In October 2017, the Village entered into a contract in the amount of \$280,012 related to additional water system improvements. The Village has secured funding for these improvements with grants from other government agencies.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
See Independent Auditors' Report

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes-				
Property	\$ 20,000	\$ 22,200	\$ 22,284	\$ 84
Sales taxes	50,000	50,000	55,721	5,721
Electric franchise	30,000	23,000	31,054	8,054
Telephone franchise	1,100	850	1,115	265
Total taxes	<u>101,100</u>	<u>96,050</u>	<u>110,174</u>	<u>14,124</u>
Licenses and permits-				
Licenses	18,300	22,500	23,306	806
Permits	350	380	425	45
Total licenses and permits	<u>18,650</u>	<u>22,880</u>	<u>23,731</u>	<u>851</u>
Intergovernmental-				
State shared revenue:				
Beer tax	1,100	650	966	316
State grant	-	-	22,848	22,848
Police supplemental pay	-	-	1,200	1,200
Total intergovernmental	<u>1,100</u>	<u>650</u>	<u>25,014</u>	<u>24,364</u>
Charges for services-				
State highway maintenance fees	3,200	3,200	3,200	-
Fines and forfeits	25,000	30,000	30,200	200
Investment income	3	3	8	5
Miscellaneous	1,850	750	5,843	5,093
Total revenues	<u>150,903</u>	<u>153,533</u>	<u>198,170</u>	<u>44,637</u>
Expenditures:				
Current-				
General government:				
Salaries, wages, and taxes	3,500	7,350	6,913	437
Utilities and telephone	16,100	17,100	18,881	(1,781)
Repairs and maintenance	4,000	2,300	1,918	382
Insurance	12,300	15,800	17,120	(1,320)
Printing and supplies	5,000	5,000	4,761	239
Professional services	22,500	24,200	20,976	3,224
Travel and training	11,000	12,000	12,495	(495)
Miscellaneous	6,525	9,425	3,951	5,474
Total general government	<u>80,925</u>	<u>93,175</u>	<u>87,015</u>	<u>6,160</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
See Independent Auditors' Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety:				
Salaries, wages, and taxes	10,500	12,000	12,400	(400)
Materials and supplies	5,500	6,500	5,464	1,036
Beeper	1,600	1,000	973	27
Repairs and maintenance	750	850	762	88
Insurance	7,500	7,500	7,908	(408)
Court cost	4,000	2,500	1,805	695
Miscellaneous	1,150	4,000	3,934	66
Total public safety	<u>31,000</u>	<u>34,350</u>	<u>33,246</u>	<u>1,104</u>
Public Works:				
Salaries, wages, and taxes	33,500	41,300	32,414	8,886
Materials and supplies	4,000	4,050	2,480	1,570
Professional services	1,500	1,000	268	732
Repairs and maintenance	6,000	2,000	2,824	(824)
Total public works	<u>45,000</u>	<u>48,350</u>	<u>37,986</u>	<u>10,364</u>
Capital Outlay	<u>6,000</u>	<u>3,360</u>	<u>20,025</u>	<u>(16,665)</u>
Total expenditures	<u>162,925</u>	<u>179,235</u>	<u>178,272</u>	<u>963</u>
Net change in fund balance	(12,022)	(25,702)	19,898	45,600
Fund balance, beginning	<u>13,022</u>	<u>28,402</u>	<u>106,375</u>	<u>77,973</u>
Fund balance, ending	<u>\$ 1,000</u>	<u>\$ 2,700</u>	<u>\$ 126,273</u>	<u>\$ 123,573</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING

The Village of Estherwood, Louisiana follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget was originally submitted to the Board of Aldermen on June 9, 2016.
2. A public hearing was conducted to obtain taxpayer comments on June 28, 2016.
3. The budget was then legally enacted through passage of an ordinance on June 28, 2016.
4. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget is employed as a management control device during the year that assists its users in financial activity analysis.

All budget appropriations lapse at year end. The budgets presented are the originally adopted and the final amended budget.

SUPPLEMENTAL INFORMATION

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE MAYOR
FOR THE YEAR ENDED JUNE 30, 2017

Mayor: Anthony Borill

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 1,200
Benefits:	
Medicare – Employer Portion	99
Reimbursements	366
	<u>\$ 1,665</u>

**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**

To the Honorable Anthony Borill, Mayor
and the Board of Aldermen
Village of Estherwood, 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 Village of Estherwood, Louisiana (the Village), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village of Estherwood's basic financial statements, and have issued our report thereon dated December 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2017-001).

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency (2017-003).



Postlethwaite & Netterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is presented in the accompanying schedule of findings and responses as item 2017-002.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Netterville

Lafayette, Louisiana
December 31, 2017

VILLAGE OF ESTHERWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

(A) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses: Yes

Noncompliance material to the financial statements: Yes

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

2017-001 Segregation of Duties

Criteria: Segregation of duties should be adequate within the Village's accounting function to provide effective internal control.

Condition: There is inadequate segregation of duties within the Village's accounting function. As a result, accounting clerks have the ability to handle cash and checks received by the Village as well as recording and depositing these receipts into the accounting system and reconciling related bank accounts. Additionally, the accounting clerks have the ability to make adjustments to customer accounts without approval. While internal control procedures are set up to require approval of the Mayor before adjustments are made, the utility software does not have the ability to restrict access.

Cause: Entities with few employees in the accounting department typically have difficulty with establishing formal internal control procedures due to limited resources available. In addition, the Village's utility software system is limited in its ability to restrict access to administrative rights.

Effect: The segregation of duties is inadequate to provide effective internal control.

Recommendation: Understanding that the Village's size may make it unfeasible to adequately staff an accounting department sufficient to segregate duties, we recommend that management consider the following: (1) the ability to handle cash, record receipts, and make deposits should be segregated to the extent possible; (2) bank statements and/or bank reconciliations should be reviewed by the Mayor monthly; (3) all adjustments to utility customer accounts should be reviewed and approved by the Mayor. Documentation of this approval should be physically noted on the adjustment report. An adjustment report should be generated on a monthly basis and reviewed by the Mayor for proper approval of all adjustments.

VILLAGE OF ESTHERWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

(B) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (continued)

View of Responsible Official and Planned Corrective Action

We concur with the finding and will review and consider implementation of internal controls related to the handling of cash receipts. We will also review procedures regarding collection of cash receipts, recording, and reconciling the related activity.

2017-002 Debt Covenants and Payments

Criteria: The debt covenants of the Village's Taxable Utilities Revenue Bonds, Series 2014 (the Bonds) require the establishment and maintenance of several funds (collectively "the Funds"). The required funds include a Revenue Fund, Debt Service Fund, Reserve Fund, and Contingencies Fund. Additionally, the debt agreement requires monthly sinking fund deposits.

Condition: The Village has not established all of the Funds required in the bond documents. The Village has not been making the required monthly sinking and reserve fund deposits into the Funds (estimated to be approximately \$5,315 per month). However, the Village has been making timely debt payments to the State of Louisiana.

Cause: The Village's internal controls established for issuance and payment of debt as well compliance with debt covenants did not prevent these issues.

Effect: The Village is not in compliance with the provisions as set forth in the Taxable Utilities Revenue Bonds, Series 2014.

Recommendation: The Village should establish procedures to ensure compliance with all provisions as stated in bond documents.

View of Responsible Official and Planned Corrective Action

The Village has reviewed the bond documents and worked with legal counsel to ensure that appropriate funds are set up in fiscal year 2018 in order to comply with the bond requirements for the remaining term of the bond. The Village will also implement procedures to ensure timely deposit of all required monthly sinking and reserve fund deposits.

VILLAGE OF ESTHERWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2017-003 Reserves and Financial Monitoring

Criteria: The Village's policies and procedures should include internal controls to monitor performance of the Village's financial activity and ensure that reserves are at a level to sustain the Village's operations and any potential unexpected events.

Condition: The Village's reserves have experienced decline. The primary cause of the decline in reserves is operating deficits of its utility funds. Since the Louisiana budget law does not require adoption of budgets for proprietary funds, the Village does not adopt budgets for the proprietary funds. However, setting and adopting budgets are a best practice for monitoring activity in these funds.

Cause: The Village's internal controls established for monitoring financial performance and reviewing reserve amounts are not adequate.

Effect: The Village's reserves, especially in the proprietary funds, are lower than would be expected.

Recommendation: The Village should establish a formal, written plan of action on how to increase its reserves. This plan should include formal monitoring of the Village's finances, including adopting budgets and reviewing budget versus actual performance in the proprietary funds.

View of Responsible Official and Planned Corrective Action

The Village will review the recommendations and work to develop a formal plan of action to address the low reserves and financial monitoring concerns.

VILLAGE OF ESTHERWOOD, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2016

2016-001 Segregation of Duties

Condition: There is inadequate segregation of duties within the Village's accounting function. As a result, accounting clerks have the ability to handle cash and checks received by the Village as well as recording and depositing these receipts into the accounting system. Additionally, the accounting clerks have the ability to make adjustments to customer accounts without approval. While internal control procedures are set up to require approval of the Mayor before adjustments are made, the utility software does not have the ability to restrict access.

Status: This finding is repeated in the current year at 2017-001. While the Village has hired an additional office employee to help with daily duties, the Village clerk has the ability to handle cash receipts as well as deposit those receipts and reconcile in the accounting system. Additionally, controls over the utility billing system have not been implemented.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To Mayor and Board of Alderman of the Village of Estherwood and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Village of Estherwood (the Village) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Village's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the Village's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Village does not have any written policies and procedures), as applicable:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget
No exception noted.
 - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
No exception noted.
 - c) *Disbursements*, including processing, reviewing, and approving
No exception noted.
 - d) *Receipts*, including receiving, recording, and preparing deposits
No exception noted.

Written Policies and Procedures (continued)

- e) *Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.*

No exception noted.

- f) *Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process*

No exception noted.

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage*

No exception noted.

- h) *Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers*

The Village's written policies and procedures do not address dollar thresholds by category of expense. The Village's policy includes information on reimbursement of expenses, but does not include information regarding a per diem rate.

- i) *Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Village's ethics policy. Note: Ethics requirements are not applicable to nonprofits.*

The Village's written policies and procedures do not include actions to be taken if an ethics violation takes place. The Village's written policies and procedures also do not include a system to monitor possible ethics violations.

- j) *Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.*

The Village's written policies and procedures do not address EMMA reporting requirements or debt reserve requirements. However, EMMA reporting requirements currently do not apply to the Village.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board met in accordance with the Lawrason Act.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Village's prior audit (GAAP-basis).

Board (or Finance Committee, if applicable) (continued)

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

We performed the procedure above and noted that review of the budget-to-actual comparisons is not formally documented in meeting minutes. Utility fund financials are reviewed. However, no budgets are not adopted.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No exception noted.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

No exception noted.

- 4. Using the listing provided by management, select all of the Village's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

No exception noted.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Three of the four accounts selected did not include evidence that a member of management reviewed the bank reconciliations. Thus, thirty-six of the forty-eight reconciliations selected did not include evidence of review by a member of management or a board member.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Two of the accounts selected had reconciling items (outstanding checks) that were more than 6 months old as of June 30, 2017. While management could identify and provide verbal information on the items, there was no formal documentation of management having researched the reconciling items.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

No exception noted.

6. Using the listing provided by management, select all of the Village's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Based on documentation provided, those responsible for collecting cash are bonded. Based on documentation provided, those responsible for collecting cash are responsible for depositing the cash in the bank, recording the related transaction, and reconciling the related bank account. The Village has hired a contract accountant to provide guidance on segregation of duties. During fiscal year 2017, the Village hired an additional clerk to assist with office duties. Based on documentation provided, there is not a requirement to have a separate cash registers or drawers for each employee collecting cash.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Village has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

No exception noted.

Collections (continued)

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Village collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Five of nine deposits selected were not made within one day of collection. Each of these five was deposited two days after cash collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exception noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Village has a process specifically defined (identified as such by the Village) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Village has written procedures defining revenue sources. However, those procedures do not include processes specifically defined to determine the completeness of all collections by a person who is not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of Village disbursements from management or, alternately, obtain the general ledger and sort/filter for Village disbursements. Obtain management's representation that the listing or general ledger population is complete.

No exception noted.

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the Village had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Not all items tested were initiated using a requisition / purchase order system. The Village does not utilize a requisition / purchase order system for all disbursements. A requisition/purchase order system was used for ten of the twenty-five disbursements selected.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)
(continued)

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Fifteen of the twenty-five items tested did not have a purchase order or electronic equivalent. The Village does not utilize a requisition / purchase order system for all disbursements. For those ten items that did include a purchase order, nine were approved by a person who did not initiate the purchase. The tenth item had formal approval documented on the final invoice.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

In the ten instances where a purchase order or electronic equivalent system was used, there was one instance where the purchase order was not approved. However, in that instance the final invoice was approved. In the remaining fifteen items selected that did not use a purchase order or electronic equivalent system, payments for purchases were not processed without an approved invoice.

10. Using Village documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Village's purchasing/disbursement system.

The Village does not consistently utilize a purchasing / disbursement system, and written policies and procedures do not require such system.

11. Using Village documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The Village's written policies and procedures do not restrict persons with signatory authority from initiating purchases. One authorized signor also has the authority to initiate purchases. However, dual authorization (signature) is required.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, inspect Village documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exception noted. The Village does not use an electronic check printing system.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp or signature machine is used by the Village.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exception noted.

15. Using the listing prepared by management, select 10 cards (or at least one-third of the cards if the Village has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

No exception noted.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No exception noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

No exception noted.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exception noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exception noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Village's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exception noted.

- c) For each transaction, compare the Village's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exception noted.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

No exception noted.

- 18. Obtain the Village's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Village's policies do not address per diem rates. The Village's policy for mileage reimbursement is that mileage be paid "in accordance with the mileage allowance authorized in the State of Louisiana's Travel Guide in effect on the dates of travel."

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Village does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exception noted.

Travel and Expense Reimbursement (Continued)

- Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
No exception noted.
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
No exception noted.
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
No exception noted.
- b) Compare the Village's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
No exception noted.
- c) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
No exception noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

No exception noted.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exception noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Village complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Not applicable.

- If no, obtain supporting contract documentation and report whether the Village solicited quotes as a best practice.

The five selected vendors were not subject to the Louisiana Public Bid Law or Procurement Code. The Village did not have formal, written documentation regarding solicitation of quotes.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No exception noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exception noted.

- e) Obtain/inspect contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law

No exception noted.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

One of the five selected employees was a police department officer. Personnel files for police employees are maintained by the police chief. Documentation of approved pay rate for this officer could not be obtained.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exception noted.

23. Obtain attendance and leave records and select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees/officials (or select one-third of employees/officials if the Village had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exception noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exception noted.

- c) Report whether there is written documentation that the Village maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exception noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Management of the Village noted no termination payments during the fiscal year ended June 30, 2017.

Payroll and Personnel (continued)

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exception noted.

Ethics

26. Using the five selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Village maintained documentation to demonstrate that required ethics training was completed.

Two of the five employees selected for testing did not have ethics compliance documentation or documentation to demonstrate that required ethics training was completed.

27. Inquire of management whether any alleged ethics violations were reported to the Village during the fiscal period. If applicable, inspect documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Village's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No exception noted.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the Village, and report whether State Bond Commission approval was obtained.

No exception noted.

29. If the Village had outstanding debt during the fiscal period, obtain supporting documentation from the Village and report whether the Village made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The Village has not maintained debt reserves as required by debt covenants.

30. If the Village had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

This procedure is not applicable.

Other

31. Inquire of management whether the Village had any misappropriations of public funds or assets. If so, obtain/inspect supporting documentation and report whether the Village reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Village is domiciled.

No exception noted.

32. Observe and report whether the Village has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exception noted.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exception noted.

Corrective Action

34. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

Written Policies and Procedures: *The Village will review exceptions noted along with the Financial Policies & Procedures Manual. Updates to the manual will be revised as needed.*

Board: *Although not mentioned in the meeting minutes, the board does discuss budget-to-actual comparison and review financial statements for utility funds at almost every meeting. The 2018 proposed budget was discussed at special meeting held on June 27, 2017.*

Reconciliation Review: *The only bank account that has a significant level of activity is the General Operating Account. Therefore, the monthly reconciliations for this account are the only reconciliations that are reviewed by management or a member of the board. Additionally, management reviewed old reconciling items subsequent to year end and is working to resolve those items.*

Cash Collection: *In CY, the Village hired another part-time worker to better fulfill segregation of duties. We are in the process of revising the Financial Policies & Procedures Manual to include controls that specify which employees can collect and deposit cash, ensuring that the cash drawer is maintained by one employee at a time.*

Deposits: *Collections are received daily from residents, but deposits to the bank are only made once or twice a week. A calculation tape is made at the end of the day for all collections in order for the Village to track collections on a day to day basis. All checks and other money sources are stored in the safe until deposit day.*

Completeness of Collections: *We are revising our Financial Policies & Procedures Manual to include a process that is designed to determine the completeness of all collections.*

Initiation of Purchases: *We will revise our Financial Policies & Procedures Manual to specify that persons with signatory authority are prohibited from initiating purchases. We will also review the manual to clarify when purchase orders are required and clarify approval for those items.*

Corrective Action (continued)

Employee Attendance and Leave: The Village Clerk will work to ensure appropriate documentation for employee pay, including police officers, is kept on file in the Village office.

Ethics: One of the two employees who did not have ethics compliance documentation on file is employed by the police station. The Village does not keep personnel files for police station employees. The other employee not having ethics compliance documentation in their file was not a permanent employee, therefore no ethics training was required for this employee.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or a conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Sincerely,

Postlethwaite + Netterville

Lafayette, Louisiana
December 31, 2017