

**VILLAGE OF NATCHEZ
ANNUAL FINANCIAL REPORT**

JUNE 30, 2018

Village of Natchez
Financial Report
Year Ended June 30, 2018

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information		
Management's Discussion and Analysis	-	1-3
Independent Auditor's Report	-	4-6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	A	9
Statement of Activities	B	10
Fund Financial Statements		
Balance Sheet-Governmental Fund	C	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	D	13
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund	E	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	F	15
Proprietary Fund		
Statement of Net Position	G	16
Statement of Revenues, Expenses, and Changes in Net Position	H	17
Statement of Cash Flows	I	18
Notes to Financial Statements	-	20-27
Other Required Supplementary Information		
Budgetary Comparison Schedule-General Fund	J	29
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	K	30

Natchitoches Tax Commission
Financial Report
Year Ended June 30, 2018

Table of Contents
(Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Reports		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	L	32-33
Schedule of Audit Findings	M	34-36
Statewide Agreed-Upon Procedures	N	37-44
Management's Response to Exceptions to Statewide Agreed-Upon Procedures	O	45

VILLAGE OF NATCHEZ

P. O. Box 229
Natchez, LA 71456

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year ended June 30, 2018

The Management's Discussion and Analysis of the Village of Natchez's financial performance presents a narrative overview and analysis of the Village's financial activities for the year ended June 30, 2018. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Village of Natchez's financial statements, which begin on page 9.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. These statements tell how the services were financed in the short-term as well as what remains for future spending.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities. The Village uses funds to ensure and demonstrate compliance with finance related laws and regulations. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources at the end of the year. As the Government-Wide Financial Statements includes the long-term view, comparisons between these two views may provide insight into the long-term impact of short-term financing decreases. Both the governmental funds balance sheet and the governmental funds operating statement provide a reconciliation to assist in understanding the difference between these two views.

The Village conducts its day-to-day operations through a governmental fund, the General Fund, and a business-type activity, the Town's utility system.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Position

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS:						
Current Assets	\$13,047	\$ 29,165	\$ 42,212	\$ 8,701	\$ 85,945	\$ 94,646
Capital Assets, Net of Accumulated Depreciation	<u>20,357</u>	<u>1,340,708</u>	<u>1,361,065</u>	<u>23,440</u>	<u>901,761</u>	<u>925,201</u>
Total Assets	<u>\$33,404</u>	<u>\$1,369,873</u>	<u>\$1,403,277</u>	<u>\$ 32,141</u>	<u>\$987,706</u>	<u>\$1,019,847</u>
LIABILITIES:						
Current Liabilities	<u>\$22,910</u>	<u>\$ 24,242</u>	<u>\$ 47,152</u>	<u>\$ 23,299</u>	<u>\$ 27,282</u>	<u>\$ 50,581</u>
NET POSITION:						
Net Investment in Capital Assets	\$20,357	\$1,340,708	\$1,361,065	\$ 23,440	\$901,761	\$ 925,201
Unrestricted	<u>(9,863)</u>	<u>4,923</u>	<u>(4,940)</u>	<u>(14,598)</u>	<u>58,663</u>	<u>44,065</u>
NET POSITION	<u>\$10,494</u>	<u>\$1,345,631</u>	<u>\$1,356,125</u>	<u>\$ 8,842</u>	<u>\$960,424</u>	<u>\$ 969,266</u>

Summary of Statement of Activities

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUES:						
Program Revenues-						
Intergovernmental-						
Operating Grants	\$ 8,650	\$ 0	\$ 8,650	\$ 7,429	\$ 97,667	\$105,096
Capital Grants	0	451,733	451,733	0	50,243	50,243
Charges for Services	17,017	50,864	67,881	24,087	52,739	76,826
General Revenues	<u>54,904</u>	<u>54</u>	<u>54,958</u>	<u>50,299</u>	<u>39</u>	<u>50,338</u>
Total Revenues	<u>\$80,571</u>	<u>\$ 502,651</u>	<u>\$ 583,222</u>	<u>\$81,815</u>	<u>\$200,688</u>	<u>\$282,503</u>
EXPENSES:						
General Government	\$78,136	\$ 0	\$ 78,136	\$83,676	\$ 0	\$ 83,676
Public Safety	783	0	783	648	0	648
Operating Expense	0	117,444	117,444	0	98,051	98,051
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,171</u>	<u>9,171</u>
Total Expenses	<u>\$78,919</u>	<u>\$ 117,444</u>	<u>\$ 196,363</u>	<u>\$84,324</u>	<u>\$107,222</u>	<u>\$191,546</u>
Change in Net Position	\$ 1,652	\$ 385,207	\$ 386,859	\$ (2,509)	\$ 93,466	\$ 90,957
Net Position July 1, 2017	<u>8,842</u>	<u>960,424</u>	<u>969,266</u>	<u>11,351</u>	<u>866,958</u>	<u>878,309</u>
Net Position June 30, 2018	<u>\$10,494</u>	<u>\$1,345,631</u>	<u>\$1,356,125</u>	<u>\$ 8,842</u>	<u>\$960,424</u>	<u>\$969,266</u>

Governmental Activities

- The Village's assets exceeded its liabilities by \$1,652 for the year ending June 30, 2018. This is an increase of \$4,161 from the prior year.

Business Type Activities

- The Proprietary Fund, the sewer system, had an increase in net position of \$385,207 for the year ending June 30, 2018. This compares to an increase of \$93,466 for the prior year.

General Fund Budgetary Highlights

The actual revenues were \$1,521 more than the budgeted amount for the year and actual expenditures were \$3,214 less than the budgeted amount for the year. For the year ended June 30, 2018, revenues and expenditures were within the 5% variance allowed.

Economic Factors and Next Year's Budget

The budget for FY 2018/2019 should not significantly differ from FY 2017/2018.

Contacting the Village

This financial report is designed to provide our citizens and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Village of Natchez, P. O. Box 229, Natchez, LA 71456.

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INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Village of Natchez
P. O. Box 229
Natchez, LA 71456

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major fund of the Village of Natchez as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and major fund information of the Village as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is presented for purposes of additional analysis and 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.

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer listed as required supplementary information listed as supplementary information in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

We have applied certain limited procedures to the Management's Discussion and Analysis 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 introductory section because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Budgetary Comparison Schedule and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer listed as required supplementary information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2019, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting

and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated February 11, 2019, on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Thomas, Cunningham, Broadway + Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's

February 11, 2019
Natchitoches, Louisiana

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Village of Natchez
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets-			
Cash & Cash Equivalents	\$ 9,280	\$ 11,949	\$ 21,229
Accounts Receivable (net)	3,717	17,216	20,933
Deposits	<u>50</u>	<u>0</u>	<u>50</u>
Total Current Assets	\$13,047	\$ 29,165	\$ 42,212
Noncurrent Assets-			
Capital Assets (net)	<u>20,357</u>	<u>1,340,708</u>	<u>1,361,065</u>
Total Assets	<u>\$33,404</u>	<u>\$1,369,873</u>	<u>\$1,403,277</u>
LIABILITIES:			
Current Liabilities-			
Accounts Payable	<u>\$22,910</u>	<u>\$ 24,242</u>	<u>\$ 47,152</u>
NET POSITION:			
Net Investment in Capital Assets	\$20,357	\$1,340,708	\$1,361,065
Unrestricted (Deficit)	<u>(9,863)</u>	<u>4,923</u>	<u>(4,940)</u>
Total Net Position	<u>\$10,494</u>	<u>\$1,345,631</u>	<u>\$1,356,125</u>

See notes to financial statements.

Village of Natchez
Statement of Activities
June 30, 2018

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Governmental Activities:</i>							
General Government	\$ 78,136	\$ 3,192	\$8,650	\$ 0	\$(66,294)	\$ 0	\$(66,294)
Public Safety	<u>783</u>	<u>13,825</u>	<u>0</u>	<u>0</u>	<u>13,042</u>	<u>0</u>	<u>13,042</u>
	\$ 78,919	\$17,017	\$8,650	\$ 0	\$(53,252)	\$ 0	\$(53,252)
<i>Business-Type Activities:</i>							
Sewer	<u>117,444</u>	<u>50,864</u>	<u>0</u>	<u>451,733</u>	<u>0</u>	<u>385,153</u>	<u>385,153</u>
Total Government	<u>\$196,363</u>	<u>\$67,881</u>	<u>\$8,650</u>	<u>\$451,733</u>	<u>\$(53,252)</u>	<u>\$ 385,153</u>	<u>\$ 331,901</u>
General Revenues:							
					\$ 54,287	\$ 0	\$ 54,287
					24	54	78
					<u>593</u>	<u>0</u>	<u>593</u>
					\$ <u>54,904</u>	\$ <u>54</u>	\$ <u>54,958</u>
					\$ 1,652	\$ 385,207	\$ 386,859
					<u>8,842</u>	<u>960,424</u>	<u>969,266</u>
					<u>\$10,494</u>	<u>\$1,345,631</u>	<u>\$1,356,125</u>

See notes to financial statements.

FUND FINANCIAL STATEMENTS

Village of Natchez
Balance Sheet-Governmental Fund
June 30, 2018

	<u>General Fund</u>
ASSETS:	
Cash & Cash Equivalents	\$ 9,280
Accounts Receivable	3,717
Deposits	<u>50</u>
Total Assets	<u>\$13,047</u>
LIABILITIES:	
Accounts Payable	\$22,910
FUND BALANCE:	
Unassigned (Deficit)	<u>(9,863)</u>
Total Liabilities and Fund Balance	<u>\$13,047</u>

See notes to financial statements.

Village of Natchez
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balance for the Governmental Fund at June 30, 2018	\$ (9,863)
Total Net Position reported for Governmental Activities in the Statement of Net Position is different because:	
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the fund. Those assets consist of:	
Land, Equipment, Buildings, and Vehicles	83,681
Less: Accumulated Depreciation	<u>(63,324)</u>
Total Net Position of Governmental Activities at June 30, 2018	\$ <u>10,494</u>

Village of Natchez
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2018

	<u>General Fund</u>
Revenues:	
Taxes	\$ 54,287
Licenses and Permits	2,002
Intergovernmental	8,650
Charges for Services	1,190
Fines & Forfeits	13,825
Interest Income	24
Miscellaneous	<u>593</u>
Total Revenues	<u>\$ 80,571</u>
Expenditures:	
Current-	
General Government	\$ 75,053
Public Safety	<u>783</u>
Total Expenditures	<u>\$ 75,836</u>
Excess of Revenues over Expenditures	\$ 4,735
Fund Balance-Beginning of Year	<u>(14,598)</u>
Fund Balance-End of Year	<u>\$ (9,863)</u>

See notes to financial statements.

Village of Natchez
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of the Governmental Fund
to the Statement of Activities
for the Year Ended June 30, 2018

Total Net Change in Fund Balance at June 30, 2018, per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 4,735
The Change in Net Position reported for Governmental Activities in the Statement of Activities is different because:	
Depreciation Expense is reported in the government- wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expen- diture in the governmental funds. Current year depreciation expense is	(3,083)
Total changes in Net Position at June 30, 2018, per Statement of Activities	<u>\$ 1,652</u>

Village of Natchez
Statement of Net Position
Proprietary Fund
Year Ended June 30, 2018

ASSETS:	
Current Assets:	
Cash & Cash Equivalents	\$ 11,949
Accounts Receivable (Net)	<u>17,216</u>
Total Current Assets	\$ <u>29,165</u>
Noncurrent Assets:	
Capital Assets-	
Land and Construction in Progress	\$ 511,172
Other Capital Assets, net of depreciation	<u>829,536</u>
Total Noncurrent Assets	<u>\$1,340,708</u>
Total Assets	<u>\$1,369,873</u>
LIABILITIES:	
Current Liabilities-	
Accounts Payable	\$ <u>24,242</u>
NET POSITION:	
Net Investment in Capital Assets	\$1,340,708
Unrestricted	<u>4,923</u>
Total Net Position	<u>\$1,345,631</u>

See notes to financial statements.

Village of Natchez
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

OPERATING REVENUES:	
Charges for Services	\$ <u>50,864</u>
OPERATING EXPENSES:	
Depreciation	\$ 43,826
Contract Labor	33,484
Repairs & Maintenance	9,688
Supplies	4,835
Other	<u>25,611</u>
Total Operating Expenses	\$ <u>117,444</u>
Operating (Loss)	\$ <u>(66,580)</u>
NON-OPERATING REVENUES:	
Interest Income	\$ 54
Capital Grants	<u>451,733</u>
Total Non-Operating Revenues	\$ <u>451,787</u>
Change in Net Position	\$ 385,207
Net Position - Beginning of Year	<u>960,424</u>
Net Position - End of Year	<u>\$1,345,631</u>

See notes to financial statements.

Village of Natchez
Statement of Cash Flows
Proprietary Fund
June 30, 2018

	<u>Business Type Activities</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 44,136
Cash paid to suppliers	(43,174)
Cash paid to contractors	<u>(33,484)</u>
Net Cash Used by Operating Activities	\$ <u>(32,522)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Capital Grants	\$ 451,733
Acquisition of Capital Assets	<u>(482,773)</u>
Net Cash Provided by Capital and Related Financing Activities	\$ <u>(31,040)</u>
Cash Flows from Investing Activities:	
Interest Income	\$ <u>54</u>
Net Decrease in Cash and Cash Equivalents	\$ (63,508)
Cash and Cash Equivalents at Beginning of Year	<u>75,457</u>
Cash and Cash Equivalents at End of Year	\$ <u>11,949</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (Loss) from Operations	\$ (66,580)
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation	43,826
Changes in Assets and Liabilities-	
(Increase) Decrease in Net Accounts Receivable	(6,728)
Increase (Decrease) in Accounts Payable	<u>(3,040)</u>
Net Cash Used by Operating Activities	\$ <u>(32,522)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Village of Natchez
Notes to Financial Statements
June 30, 2018

Introduction:

The Village of Natchez, Louisiana was incorporated under the provisions of the Lawrason Act. The Village operates under an elected Mayor-Board of Aldermen form of government and provides the following services as authorized by its charter: public safety (police), streets, sanitation, utilities and general administrative services.

1. Summary of Significant Accounting Policies:

A. REPORTING ENTITY-

The Village is the basic level of government which has financial accountability and control over all activities related to the Village operations and services provided. The Village is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since the Village Mayor and Board of Aldermen are elected by the public and have decision making authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the Village's reporting entity.

The financial statements of the Village of Natchez are prepared in accordance with generally accepted accounting principles (GAAP). The Village of Natchez's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. BASIS OF PRESENTATION-

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. FUND ACCOUNTING-

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The Village maintains two funds, one as a governmental fund and one proprietary fund. The emphasis on fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

Village of Natchez
Notes to Financial Statements
June 30, 2018

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Village are described below:

Governmental Fund-

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund-

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village's enterprise fund is the Sewer Fund.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the Village as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available.

Village of Natchez
Notes to Financial Statements
June 30, 2018

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues “available” if collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

E. CASH AND INTEREST-BEARING DEPOSITS-

For purposes of the Statement of Net Position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the Village. For the purpose of the proprietary fund Statement of Cash Flows, “Cash and Cash Equivalents” include all demand and savings accounts, and certificates of deposit.

F. CAPITAL ASSETS-

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

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

Depreciation of all exhaustible capital assets is recorded as an 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 useful lives by type of asset is as follows:

Buildings and improvements	40 years
Equipment and vehicles	3-11 years
Utility system and improvements	10-50 years

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

G. COMPENSATED ABSENCES-

The vested or accumulated vacation leave of the Village’s employees has not been recorded. The amount of accumulated benefits in excess of one year’s normal amount would be immaterial. Unused vacation time lapses at the end of each calendar year.

In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Village of Natchez
Notes to Financial Statements
June 30, 2018

H. EQUITY CLASSIFICATIONS-

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

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

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

In the fund statements, governmental fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Non-spendable fund balance - amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- d. Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance - amounts that are available for any purpose.

The General Fund has an unassigned deficit fund balance of \$9,863. If applicable, the Village would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

Village of Natchez
Notes to Financial Statements
June 30, 2018

I. ESTIMATES-

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

J. OPERATING REVENUES AND EXPENSES-

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing noncapital financing, or investing activities.

K. EXPENDITURES/EXPENSES-

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character
Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

L. BUDGET-

Prior to the beginning of each fiscal year, the Village adopts a budget for the next fiscal year. The budget is open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budget is prepared on the modified accrual basis of accounting.

M. INVENTORIES-

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

N. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES-

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

O. BAD DEBTS AND ALLOWANCES-

Allowance for uncollectible amounts due for customers' utility receivables are recognized as doubtful accounts at the time they become more than 90 days old. At June 30, 2018, there was an Allowance for Doubtful Accounts totaling \$23,951.

Village of Natchez
Notes to Financial Statements
June 30, 2018

2. Cash and Cash Equivalents:

The cash and cash equivalents of the Village of Natchez are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Village that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Village's name.

At June 30, 2018, the Village had \$83,384 in deposits (collected bank balances). These deposits were secured from risk by federal deposit insurance.

3. Property Taxes:

The Village levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Village on property values assessed by the Natchitoches Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Village property tax revenues are recognized when levied and are recorded as current receivables.

The property tax calendar is as follows:

Assessment Date	January 1
Levy Date	June 1
Tax Bills Mailed	November 15
Total Taxes are Due	December 31
Penalties and Interest are added	January 1
Lien Date	No Set Policy
Tax Sale	No Set Policy

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the levy year. Assessed values are established by the Natchitoches Parish Tax Assessor each year on a uniform basis at the following percent of fair market value:

Land	10%
Residential	10%
Industrial	15%
Machinery	15%
Commercial	15%
Public Service (excluding land)	25%

Village of Natchez
Notes to Financial Statements
June 30, 2018

A revaluation of all property is required to be completed no less than every four years. A revaluation was completed for the tax roll of January 1, 2016.

Tax collections for the year were \$4,113.

4. Capital Assets:

Capital asset activity for the year ended June 30, 2018, is as follows:

Governmental Activities	Balance 07-01-17	Additions	Deletions	Balance 06-30-18
Capital Assets Not Depreciated:				
Land	\$ 1,600	\$ 0	\$0	\$ 1,600
Capital Assets Depreciated:				
Office Furniture, Fixtures & Equipment	58,714	0	0	58,714
Vehicles	<u>23,367</u>	<u>0</u>	<u>0</u>	<u>23,367</u>
Total Costs	<u>\$ 83,681</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 83,681</u>
Less, Accumulated Depreciation:				
Office Furniture, Fixtures & Equipment	\$ 36,874	\$ 3,083	\$0	\$ 39,957
Vehicles	<u>23,367</u>	<u>0</u>	<u>0</u>	<u>23,367</u>
Total Accumulated Depreciation	<u>\$ 60,241</u>	<u>\$ 3,083</u>	<u>\$0</u>	<u>\$ 63,324</u>
Net Capital Assets	<u>\$ 23,440</u>	<u>\$ (3,083)</u>	<u>\$0</u>	<u>\$ 20,357</u>
Business-Type Activities	Balance 07-01-17	Additions	Deletions	Balance 06-30-18
Capital Assets Not Depreciated:				
Land	\$ 9,196	\$ 0	\$0	\$ 9,196
Construction in Progress	50,243	451,733	0	501,976
Capital Assets Depreciated:				
Sewer System	<u>1,915,757</u>	<u>31,040</u>	<u>0</u>	<u>1,946,797</u>
Total Costs	<u>\$1,975,196</u>	<u>\$482,773</u>	<u>\$0</u>	<u>\$2,457,969</u>
Less, Accumulated Depreciation:				
Sewer System	<u>\$1,073,435</u>	<u>\$ 43,826</u>	<u>\$0</u>	<u>\$1,117,261</u>
Net Capital Assets	<u>\$ 901,761</u>	<u>\$438,947</u>	<u>\$0</u>	<u>\$1,340,708</u>

Depreciation expense of \$3,083 was charged to the general government function, and \$43,826 was charged to the business-type activities.

Village of Natchez
Notes to Financial Statements
June 30, 2018

5. Compensation Paid to the Mayor and Board of Aldermen:

During 2018, the following amounts were paid to the Mayor and Board of Aldermen:

Rosia Humphrey-Mayor	\$ 4,850
Amos Bradley	1,725
Sheila Johnson	3,100
Joe Walker	<u>3,100</u>
Total	<u>\$12,775</u>

6. Receivables:

The following is a summary of receivables at June 30, 2018:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Taxes	\$3,717	\$ 0
Sales	<u>0</u>	<u>17,216</u>
	<u>\$3,717</u>	<u>\$17,216</u>

7. Sales Tax Revenue:

The voters of Natchez passed a one percent (1%) sales and use tax. The proceeds of the sales tax are to be used for any lawful corporate purpose. Collections for the year ended June 30, 2018, were \$30,745, and were used for General Fund operations.

8. Risk Management:

Village of Natchez is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village.

9. Related Parties:

The Village had no identified party transactions for the year ended June 30, 2018.

10. Fund Deficits:

For the year ended June 30, 2018, the General Fund had a deficit fund balance of \$9,863. The Village will institute procedures to reduce this deficit in fiscal year ending June 30, 2019.

11. Subsequent Events:

Management has evaluated events through February 11, 2019, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Village of Natchez
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	<u>Budget</u> <u>Original/Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 41,500	\$ 54,287	\$ 12,787
Licenses and Permits	1,950	2,002	52
Intergovernmental	1,000	8,650	7,650
Charges for Services	200	1,190	990
Fines and Forfeits	20,000	13,825	(6,175)
Interest Income	0	24	24
Miscellaneous	<u>2,600</u>	<u>593</u>	<u>(2,007)</u>
Total Revenues	\$ <u>67,250</u>	\$ <u>80,571</u>	\$ <u>13,321</u>
EXPENDITURES:			
Current-			
General Government	\$ 76,300	\$ 75,053	\$ 1,247
Public Safety	<u>2,750</u>	<u>783</u>	<u>1,967</u>
Total Expenditures	\$ <u>79,050</u>	\$ <u>75,836</u>	\$ <u>3,214</u>
Excess (Deficiency) of Revenues over Expenditures	\$(11,800)	\$ 4,735	\$ 16,535
OTHER REVENUES AND (EXPENSES)			
Transfer from Sewer Fund	<u>11,800</u>	<u>0</u>	<u>(11,800)</u>
Excess of Revenues and Other Revenues over Expenditures	\$ 0	\$ 4,735	\$ 4,735
Fund Balance-Beginning of Year	(14,598)	(14,598)	0
Fund Balance-End of Year	\$(14,598)	\$ (9,863)	\$ 4,735

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

Agency Head Name: Rosia Humphrey, Mayor

<u>Purpose</u>	<u>Amount</u>
Per Diem	\$4,850
Reimbursements	189
Travel	3,533

OTHER REPORTS

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INDEPENDENT AUDITOR'S 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*

Mayor and Board of Aldermen
Village of Natchez
P. O. Box 229
Natchez, LA 71456

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 and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities, major fund and fiduciary fund as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village of Natchez's (Village) basic financial statements and have issued our report thereon dated February 11, 2019.

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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying Schedule of Audit Findings that we consider to be a significant deficiency as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings as item 2018-002, 2018-003, and 2018-004.

Village of Natchez's Response to Findings

The Village's response to the findings identified in our audit are described in the accompanying Schedule of Audit Findings. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's

February 11, 2019
Natchitoches, Louisiana

Village of Natchez
Schedule of Audit Findings
Year Ended June 30, 2018

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of the Village of Natchez as of and for the year ended June 30, 2018.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness, identified as finding 2018-001 – *Segregation of Duties*.
3. The audit disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards*, identified as finding 2018-002 – *Louisiana Bid Law*, 2018-003 – *Late Submission of Report*, and 2018-004 – *Local Government Budget Act*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Internal Control

2018-001 *Segregation of Duties*

Criteria – Adequate segregation of duties requires the critical functions of key accounting processes be assigned to and performed by more than one individual.

Condition – Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties over cash receipts. The receipt of funds and bank deposits are performed by the same individual.

Cause – The Village has an insufficient number of employees to adequately separate the cash receipting duties; currently these duties are assigned to one individual.

Effect – Without adequate segregation of duties, intentional or unintentional errors could occur and not be detected, increasing the risk of loss or theft of the entity's assets.

Recommendation – Keeping in mind the limited number of employees to which the duties can be assigned, and since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, the Village should monitor assignment of duties to assure as much segregation of duties and responsibilities as possible.

Response – Management will provide as much segregation as possible with the resources available and will continue to monitor segregation of duties.

Noncompliance

2018-002 *Louisiana Bid Law*

Criteria – Louisiana R.S. 38:2212.1 prescribes that all purchases of any materials or supplies exceeding the sum of thirty thousand dollars to be paid out of public funds shall be advertised and let by contractors to the lowest responsible bidder who has bid

according to the specifications as advertised, and no such purchase shall be made except as provided in this statute.

Condition – The Village purchased equipment in excess of \$30,000 and failed to advertise for bids.

Cause – A John Deere model 4052M was purchased for \$31,040 from a local vendor. The dealer's invoice does not indicate that the equipment was purchased under state contract and no documentation of a request for bids was available.

Effect – The Village is not in compliance with state law.

Recommendation – We recommend that the Village become familiar with the Louisiana Bid Law and the requirements associated with the various thresholds of the Louisiana Bid Law. Additionally, the Village should be aware of the state contracts already in place and accepted by the state of Louisiana Division of Administration.

Response – Management will review all to ensure compliance with the Louisiana Bid Law.

2018-003 *Late Submission of Report*

Criteria – Louisiana state law requires that the Village have an annual audit performed and submitted to the Legislative Auditor within six (6) months after the close of the fiscal year.

Condition – For the year ended June 30, 2018, the Village did not submit the annual audit within six months after the close of their fiscal year.

Cause – The Village was not ready for the auditors to begin work within 45 days after the end of the fiscal year, as the accounting records of the Village were not maintained, prepared, or available until December 2018.

Effect – The Village is not in compliance with state law, and as a result, some state funds are being withheld from the Village until the audit report is filed with the Legislative Auditor.

Recommendation – The Village should institute procedures to ensure that the books and records are prepared, reconciled, and available for the auditors within 45 days after the end of their fiscal year.

Response – The third party accounting firm hired by the Village will have the books and records prepared, reconciled, and available to the auditor's within 45 days of the close of the fiscal year.

2018-004 *Local Government Budget Act*

Criteria – Revised Statutes 39:1301-1315, direct local governments as to the manner in which the annual budget shall be adopted, implemented, and amended. This includes the requirements to adopt a budget prior to the beginning of the fiscal year and to ensure the adopted budget does not result in a negative fund balance.

Condition – For the year ended June 30, 2018, the Village did not follow the requirements of the Local Government Budget Act in that the Village did not adopt a budget prior to the beginning of the fiscal year and adopted a budget with a deficit fund balance.

Cause – The Village did not adopt a budget prior to the beginning of the fiscal year, and the budget which was later adopted ended the year with a deficit fund balance.

Effect – The Village is not in compliance with the Local Government Budget Act.

Recommendation – The Village should comply with all provisions of the Local Government Budget Act. In addition, we recommend that the administration develop and practice a formal process of comparing the budget to actual revenues and other sources and expenditures and other uses on a timely and recurring basis for all budgets and amend as appropriate.

Response – The Village fully intends to comply with the provisions of the Local Government Budget Act.

III. PRIOR YEAR AUDIT FINDINGS

Not applicable, the prior year report was a review.

T | C | B | T
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**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES**

Mayor and Board of Aldermen
Village of Natchez
P. O. Box 229
Natchez, LA 71456

We have performed the procedures enumerated below, which were specified and agreed to by the Mayor of the Village of Natchez 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, 2017 through June 30, 2018. The Village 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated notations are enumerated below.

Written Policies and Procedures

1. We obtained and inspected the entity’s written policies and procedures and observed whether those written policies and procedures address each of the following categories and subcategories (or noted that the entity does not have any written policies and procedures), as applicable:
 - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ***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.
 - ***Disbursements***, including processing, reviewing, and approving.

- **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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.)
- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **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 entity's ethics policy.
- **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

a) *Procedure Results – The Village has no written policies and procedures.*

Board (or Finance Committee, if applicable)

2. We obtained and inspected the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent documents in effect during the fiscal period, and:
 - Observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - Observed that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

- For governmental entities, obtained the prior year audit report and observed the unrestricted fund balance in the General Fund. If the General Fund had a negative ending unrestricted fund balance in the prior year audit report, observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the General Fund.
 - a) *Procedure Results – We noted two exceptions. There is no direct reference to monthly budget-to-actual comparisons in the board minutes. Additionally, the Village’s General Fund had a negative unrestricted fund balance in the prior year and the board did not reference or include a plan to eliminate the negative unrestricted fund balance during the year.*

Bank Reconciliations

3. We obtained a listing of client bank accounts for the fiscal period from management and management’s representation that the listing is complete. We identified the entity’s main operating account. We selected the entity’s main operating account and randomly selected four additional accounts (or all if less than five).

We randomly selected one month from the fiscal period, and obtained and inspected the corresponding bank statement and reconciliation for the selected accounts, and observed that:

- Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g. initialed and dated, electronically logged);
- Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and
- Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
 - a) *Procedure Results – We noted two exceptions. Bank reconciliations were completed more than 2 months after the statement closing date. There is no evidence that management has reviewed the bank reconciliations.*

Collections

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management’s representation that the listing is complete. We randomly selected the required amount of deposit sites (up to five).
5. We obtained a listing of collection locations and management’s representation that the listing is complete. We randomly selected one collection location for each deposit site selected. We obtained and inspected written policies and procedures relating to employee job duties at each collection location, and observed that job duties were properly segregated at each collection location such that:
 - Employees that are responsible for cash collections do not share cash drawers/registers.

- Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. We randomly selected two deposit dates for each of the bank accounts selected for procedure #3 under “Bank Reconciliations” above. We obtained supporting documentation for each of the deposits selected and:
- We observed that receipts are sequentially pre-numbered.
 - We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - We traced the deposit slip total to the actual deposit per the bank statement.
 - We observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - We traced the actual deposit per the bank statement to the general ledger.

a) Procedure Results – We noted one exception. Receipts are not pre-numbered.

Non-Payroll Disbursements – General (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. We obtained a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. We randomly selected the required amount of disbursement locations (up to five).
9. For each location selected under #8 above, we obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and we observed that job duties are properly segregated such that:
- At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - At least two employees are involved in processing and approving payments to vendors.

- The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, and obtained supporting documentation for each transaction and:
- We observed that the disbursement matched the related original invoice/billing statement.
 - We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
- a) *Procedure Results – We noted one exception. There is no evidence of segregation of duties included with the disbursement documentation.*

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

11. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
12. Using the listing prepared by management, we randomly selected the required amount of cards (up to five) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), and obtained supporting documentation, and:
- We observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - We observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected the required amount transactions (up to ten) from each statement, and obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identified precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals.
- a) *Procedure Results – Not applicable. The Village does not have any credit cards.*

Travel and Expense Reimbursement

14. We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. We randomly selected five reimbursements, and obtained the related expense reimbursement forms/prepaid

expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

- If reimbursed using a per diem, we agreed the reimbursement rate to those rates established by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- We observed that each reimbursement was supported by documentation of the business/public purpose and other documentation required by written policy.
- We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

a) *Procedure Results – We noted no exceptions.*

Contracts

15. We obtained from management a listing of all agreements/contracts for professional services, materials, and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. We obtained management's representation that the listing is complete. We randomly selected the required amount of contracts (up to five) from the listing, and:

- We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- We observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- If the contract was amended (e.g. change order), we observed that the original contract terms provided for such an amendment.
- We randomly selected one payment from the fiscal period for each of the selected contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

a) *Procedure Results – We noted no exceptions.*

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected five employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

17. We randomly selected one pay period during the fiscal period. For the five employees/officials selected under #16 above, we obtained attendance and leave documentation for the pay period, and:

- We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - We observed that supervisors approved the attendance and leave of the selected employees/officials.
 - We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. If applicable, we selected the two employees/officials, and obtained related documentation of the hours and pay rates used in management's termination payment calculations. If applicable, we agreed the hours to the employees/officials' cumulative leave records and the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

a) Procedure Results – We noted no exceptions.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management, and:
- We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - We observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

a) Procedure Results – We noted one exception. The Village has no ethics policy for officials to read and attest annually.

Debt Service (excluding nonprofits)

21. We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

a) Procedure Results – Not applicable, the Village has no debt service.

Other

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

a) *Procedure Results – We noted no exceptions, management represented that they are aware of no instances of misappropriation during the fiscal period.*

24. We observed whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

a) *Procedure Results – We noted no exceptions.*

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 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.

Respectfully,

Thomas, Cunningham Broadway + Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's

February 11, 2019
Natchitoches, Louisiana

Village of Natchez
Management's Response to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2018

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 1: Exception – The Village has no written policies and procedures.

Response – The Village will endeavor to adopt policies and procedures in accordance with best practices.

Item 2: Exception – The Board minutes do not reference monthly budget-to-actual comparisons, nor did they reference or include a plan to eliminate the General Fund's negative unrestricted fund balance at any point in the year.

Response – The Village will ensure that minutes clearly state that budget-to-actual comparisons were reviewed each month. Additionally, the Village will formulate a plan to eliminate the negative unrestricted fund balance in the General Fund.

Item 3: Exception – Bank reconciliations were completed more than 2 months after the statement closing date and there is no evidence that management has reviewed the bank reconciliations prepared by an outside CPA.

Response – The Village will endeavor to ensure that required documents are presented to the outside CPA in a timely manner to ensure that bank reconciliations are completed in a timely manner. Additionally, the Mayor will review the bank reconciliations and indicate by initials and date when the review took place.

Item 7: Exception – Receipts are not pre-numbered.

Response – The Village will look at the feasibility of using Quickbooks to produce receipts or purchase pre-numbered receipts for use in the future.

Item 10: Exception – Disbursement documentation does not include evidence of segregation of duties.

Response – The Mayor or Board members will initial and date all invoices prior to issuance of payment to provide evidence of segregation of duties.

Item 20: Exception – Officials did not attest to reading the ethics policy as the Village has no written ethics policy.

Response – The Village will adopt an ethics policy and officials will attest to reading the policy through signature verification annually.