

**VILLAGE OF SICILY ISLAND, LOUISIANA**

**Annual Financial Statements**

**JUNE 30, 2017**



**Village of Sicily Island, Louisiana**  
**Table of Contents**  
**June 30, 2017**

|   | <b>Schedule</b> | <b>Page</b> |
|---|-----------------|-------------|
| Independent Auditor's Report.....   |                 | 1-3         |
| Management's Discussion and Analysis.....   |                 | 4-9         |
| <b>Basic Financial Statements</b>   |                 |             |
| Statement of Net Position.....  | A               | 11          |
| Statement of Activities.....  | B               | 12          |
| Balance Sheet, Governmental Funds.....  | C               | 13          |
| Reconciliation of The Government Funds Balance Sheet to the Government-<br>Wide Financial Statement of Net Position.....  | D               | 14          |
| Statement of Revenues, Expenditures & Changes in Fund Balances –<br>Governmental Funds.....   | E               | 15          |
| Reconciliation of The Statement of Revenues, Expenditures, and Changes<br>in Fund Balances of Governmental Funds to the Statement of Activities.....  | F               | 16          |
| Statement of Net Position, Proprietary Funds.....   | G               | 17          |
| Statement of Revenues, Expenses & Changes in Net Position – Proprietary Funds.....  | H               | 18          |
| Statement of Cash Flows – Proprietary Funds.....  | I               | 19          |
| Statement of Cash Flows – Reconciliation.....   | J               | 20          |
| Notes to the Basic Financial Statements.....  |                 | 22-30       |
| <b>Required Supplemental Information</b>  |                 |             |
| Statement of Revenues, Expenditures, & Changes in Fund Balance – Budget &<br>Actual – General Fund.....   | 1               | 32          |
| <b>Other Information</b>  |                 |             |
| Schedule of Compensation Benefits and Other Payments to Chief Executive Officer or<br>Agency Head.....  |                 | 34          |
| <b>Other Reports</b>  |                 |             |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance with Government Auditing Standards..... |                 | 36-37       |
| Schedule of Findings and Questioned Costs.....  |                 | 38-41       |
| Management Corrective Actions.....  |                 | 42-43       |
| Management Letter Comments.....   |                 | 44          |
| Management's Summary of Prior Year Findings.....  |                 | 45-46       |
| Louisiana State-Wide Agreed Upon Procedures.....  |                 | 47-60       |

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Certified Fraud Examiners

## **INDEPENDENT AUDITOR'S REPORT**

Village of Sicily Island  
101 Sicily Ave.  
Sicily Island, LA. 71368

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Village of Sicily Island, Louisiana, as of and for the year ended June 30, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Village of Sicily Island, 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 management's discussion and analysis and budgetary comparison information 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 Sicily Island's basic financial statements. The Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2018, on our consideration of the Village of Sicily Island'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 of Sicily Island's internal control over financial reporting and compliance.

*The Vercher Group*

January 3, 2018  
Jena, Louisiana

# Village of Sicily Island

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### FINANCIAL HIGHLIGHTS

#### *Governmental Funds*

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,004,527 (*net position*). This is a \$126,152 decrease from last year.
- The Village had total revenue of \$193,352. This is a \$18,358 decrease from last year's revenues, mainly due to a decrease in grant monies in the amount of \$30,482.
- The Village had total expenditures of \$327,235, which is a \$45,575 increase from last year, mainly due an increase in operating expenses in the amount of \$49,708.

#### *Enterprise Funds*

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$2,037,657 (*net position*). This is a \$82,019 increase from last year.
- The Village had total revenue of \$435,369. This is a \$188,882 decrease from last year, mainly due to a decrease in capital contributions in the amount of \$107,729.
- The Village had total expenses of \$264,121. This is a \$962 increase from last year, mainly due to an increase in depreciation expense in the amount of \$10,814.

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## MD&A

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### FUND FINANCIAL STATEMENTS

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

### USING THIS ANNUAL REPORT

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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### Governmental Funds

#### Comparative Statement of Net Position as of June 30, 2017:

|                                  | <u>2016</u>                | <u>2017</u>                | <u>% Change</u> |
|----------------------------------|----------------------------|----------------------------|-----------------|
| Current Assets                   | \$ 68,837                  | \$ 32,876                  | -52.2           |
| Restricted Assets                | -0-                        | -0-                        | 0.0             |
| Noncurrent Assets                | <u>1,079,900</u>           | <u>988,228</u>             | -8.5            |
| <b>Total Assets</b>              | <u><u>1,148,737</u></u>    | <u><u>1,021,104</u></u>    | -11.1           |
| Current Liabilities              | 18,058                     | 16,577                     | -8.2            |
| Long-term Liabilities            | -0-                        | -0-                        | 0.0             |
| <b>Total Liabilities</b>         | <u>18,058</u>              | <u>16,577</u>              | -8.2            |
| <b>Net Position</b>              |                            |                            |                 |
| Net Investment in Capital Assets | 1,079,900                  | 988,228                    | -8.5            |
| Restricted                       | -0-                        | -0-                        | 0.0             |
| Unrestricted                     | <u>50,779</u>              | <u>16,299</u>              | -67.9           |
| <b>Total Net Position</b>        | \$ <u><u>1,130,679</u></u> | \$ <u><u>1,004,527</u></u> | -11.2           |

#### Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2017:

|  | <u>2016</u>             | <u>2017</u>             | <u>% Change</u> |
|--|-------------------------|-------------------------|-----------------|
| <b>Revenues</b>  |                         |                         |                 |
| Program Revenues   | \$ 43,713               | \$ 27,099               | -38.0           |
| General Revenues   | 135,290                 | 164,028                 | 21.2            |
| Capital Grants   | <u>32,707</u>           | <u>2,225</u>            | -93.2           |
| <b>Total Revenues</b>  | <u><u>211,710</u></u>   | <u><u>193,352</u></u>   | -8.7            |
| <b>Expenditures</b>  |                         |                         |                 |
| Operating Expenditures   | 248,965                 | 298,673                 | 20.0            |
| Capital Outlay   | <u>32,695</u>           | <u>-0-</u>              | -100.0          |
| <b>Total Expenditures</b>  | <u><u>281,660</u></u>   | <u><u>298,673</u></u>   | 6.0             |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | (69,950)                | (105,321)               | 50.6            |
| <b>Other Financing Sources (Uses)</b>                            |                         |                         |                 |
| USDA Grant Reimbursement   | -0-                     | (28,562)                | 100.0           |
| Transfers In/(Out)   | <u>82,297</u>           | <u>99,403</u>           | 20.8            |
| <b>Total Other Financing Sources (Uses)</b>                      | <u><u>82,297</u></u>    | <u><u>70,841</u></u>    | -13.9           |
| <b>Net Change in Fund Balance</b>                                | 12,347                  | (34,480)                | -379.3          |
| Prior Period Adjustment  | 6,068                   | -0-                     | -100.0          |
| <b>Fund Balance - Beginning</b>                                  | <u>32,364</u>           | <u>50,779</u>           | 56.9            |
| <b>Fund Balance - Ending</b>                                     | \$ <u><u>50,779</u></u> | \$ <u><u>16,299</u></u> | -67.9           |

## MD&A

### Enterprise Funds

#### Comparative Statement of Net Position as of June 30, 2017:

| Assets  | 2016                | 2017                | % Change |
|---|---------------------|---------------------|----------|
| Cash  | \$ 16,972           | \$ 5,550            | -67.3    |
| Receivables (Net)                               | 16,624              | 16,284              | -2.0     |
| Restricted Assets                               | 42,311              | 30,270              | -28.5    |
| Capital Assets, Net of Accumulated Depreciation | 2,060,268           | 2,149,955           | 4.4      |
| <b>Total Assets</b>                             | <u>2,136,175</u>    | <u>2,202,059</u>    | 3.1      |
| <b>Liabilities &amp; Net Position</b>           |                     |                     |          |
| Accounts, Salaries, & Other Payables            | 16,174              | 14,088              | -12.9    |
| Customer Deposits                               | 44,086              | 44,502              | 0.9      |
| Current Bonds & Interest Payable                | 14,465              | 14,922              | 3.2      |
| Bonds Payable                                   | 105,812             | 90,890              | -14.1    |
| <b>Total Liabilities</b>                        | <u>180,537</u>      | <u>164,402</u>      | -8.9     |
| <b>Net Position</b>                             |                     |                     |          |
| Net Investment in Capital Assets                | 1,939,991           | 2,044,143           | 5.4      |
| Restricted                                      | -0-                 | -0-                 | 0.0      |
| Unrestricted                                    | 15,647              | (6,486)             | -141.5   |
| <b>Total Net Position</b>                       | <u>\$ 1,955,638</u> | <u>\$ 2,037,657</u> | 4.2      |

#### Comparative Statement of Revenues, Expenses & Changes in Net Position for the year ended June 30, 2017.

| Operating Revenues                                 | 2016                | 2017                | % Change |
|--|---------------------|---------------------|----------|
| Water Sales  | \$ 110,327          | \$ 98,772           | -10.5    |
| Sewer Charges                                      | 49,677              | 47,852              | -3.7     |
| Gas Sales  | 84,928              | 88,726              | 4.5      |
| <b>Total Operating Revenues</b>                    | <u>244,932</u>      | <u>235,350</u>      | -3.9     |
| <b>Operating Expenses</b>                          |                     |                     |          |
| Cost of Sales & Services                           | 122,360             | 100,043             | -18.2    |
| Administration                                     | 41,006              | 51,213              | 24.9     |
| Depreciation                                       | 98,516              | 109,330             | 11.0     |
| <b>Total Operating Expenses</b>                    | <u>261,882</u>      | <u>260,586</u>      | -0.5     |
| <b>Operating Income (Loss)</b>                     | <u>(16,950)</u>     | <u>(25,236)</u>     | 48.9     |
| <b>Nonoperating Revenues (Expenses)</b>            |                     |                     |          |
| Interest Earnings                                  | 141                 | 1,002               | 610.6    |
| Interest Expense                                   | (1,277)             | (3,535)             | 176.8    |
| Forgiveness of Debt                                | 72,432              | -0-                 | -100.0   |
| <b>Total Nonoperating Revenues (Expenses)</b>      | <u>71,296</u>       | <u>(2,533)</u>      | -103.6   |
| <b>Income Before Contributions &amp; Transfers</b> | <u>54,346</u>       | <u>(27,769)</u>     | -151.1   |
| <b>Transfers In/(Out)</b>                          | (82,297)            | (99,403)            | 20.1     |
| <b>Capital Contributions</b>                       | <u>306,746</u>      | <u>199,017</u>      | -35.1    |
| <b>Change in Net Position</b>                      | 278,795             | 71,845              | -74.2    |
| Prior Period Adjustment                            | 3,047               | 10,174              | 233.9    |
| <b>Total Net Position - Beginning</b>              | 1,673,796           | 1,955,638           | 16.7     |
| <b>Total Net Position - Ending</b>                 | <u>\$ 1,955,638</u> | <u>\$ 2,037,657</u> | 4.2      |

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**CAPITAL ASSETS**

***Capital Assets – Governmental Funds***

At June 30, 2017, the Village had \$988,228 invested in capital assets, including the following:

| <b>Capital Assets at Year-End</b> |                     |                   |
|-----------------------------------|---------------------|-------------------|
|                                   | <b>2016</b>         | <b>2017</b>       |
| Land (Not Depreciated)*           | \$ 13,000           | \$ 13,000         |
| Capital Assets                    | 1,998,357           | 1,998,357         |
| Accumulated Depreciation          | (931,457)           | (1,023,129)       |
| <b>Total</b>                      | <b>\$ 1,079,900</b> | <b>\$ 988,228</b> |

\*Land in the amount of \$13,000 is not being depreciated

***Capital Assets – Enterprise Funds***

At June 30, 2017, the Village had \$2,149,955 invested in capital assets, including the following:

| <b>Capital Assets at Year-End</b> |                     |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>2016</b>         | <b>2017</b>         |
| Gas System                        | \$ 470,381          | \$ 470,381          |
| Water System*                     | 1,624,854           | 1,823,871           |
| Sewer System*                     | 2,030,738           | 2,030,738           |
| Accumulated Depreciation          | (2,065,705)         | (2,175,035)         |
| <b>Total</b>                      | <b>\$ 2,060,268</b> | <b>\$ 2,149,955</b> |

\*Land in the amount of \$38,280 in the Sewer System is not being depreciated.

\*Land in the amount of \$1,000 in the Water System is not being depreciated.

**CHANGES IN LONG-TERM DEBT**

***Long-term Debt***

The following is a summary of revenue bond transactions of the Village of Sicily Island for the year ended June 30, 2017.

|                                   | <b>Sewer Revenue<br/>Bonds</b> |
|-----------------------------------|--------------------------------|
| Bonds & Notes Payable - Beginning | \$ 120,277                     |
| Additions                         | -0-                            |
| Principal Retirements             | (14,465)                       |
| <b>Total</b>                      | <b>\$ 105,812</b>              |

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Bonds payable at June 30, 2017, are comprised of the following issues:

***Revenue Bonds***

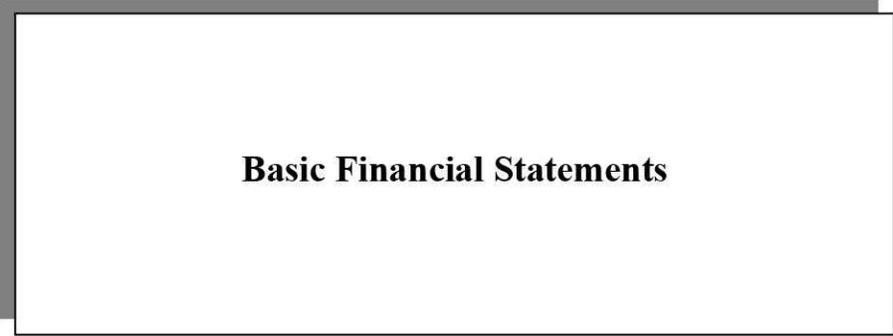
Original: \$393,800 Sewer Revenue Bond dated September 2, 1981, due in annual installments of \$9,000 to \$23,000 through September 2, 2021, with interest rate of 5%.

Modified: Lender waived \$50,000 in principal and all accrued interest. New principal due of \$125,000 due in monthly installments of \$1,500 through December 2, 2023, with an interest rate of 3%.

\$ ..... 105,812  
**Total** \$ 105,812

**CONTACTING THE VILLAGE’S FINANCIAL MANGEMENT:**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Village’s finances and to show the Village’s accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Walter Krause at the Village Hall, phone number (318) 389-4472.



**Basic Financial Statements**

**Village of Sicily Island, Louisiana**  
**Statement of Net Position**  
**June 30, 2017**

|  | <b>PRIMARY GOVERNMENT</b>          |  |                     |
|--|------------------------------------|--|---------------------|
|  | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-<br/>TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>        |
| <b>Assets</b>                                    |                                    |  |                     |
| Cash & Cash Equivalents                          | \$ 15,030                          | \$ 5,550                                 | \$ 20,580           |
| Receivables (Net of Allowances)                  | 17,846                             | 16,284                                   | 34,130              |
| Restricted Assets                                | -0-                                | 30,270                                   | 30,270              |
| Capital Assets (Net of Accumulated Depreciation) | 988,228                            | 2,149,955                                | 3,138,183           |
| <b>Total Assets</b>                              | <u>1,021,104</u>                   | <u>2,202,059</u>                         | <u>3,223,163</u>    |
| <b>Current Liabilities</b>                       |                                    |  |                     |
| Accounts, Salaries, & Other Payables             | 16,577                             | 14,088                                   | 30,665              |
| Customer Deposits                                | -0-                                | 44,502                                   | 44,502              |
| Bonds & Interest Payable                         | -0-                                | 14,922                                   | 14,922              |
| <b>Total Current Liabilities</b>                 | <u>16,577</u>                      | <u>73,512</u>                            | <u>90,089</u>       |
| <b>Non Current Liabilities</b>                   |                                    |  |                     |
| Revenue Bonds & Notes Payable                    | -0-                                | 90,890                                   | 90,890              |
| <b>Total Non Current Liabilities</b>             | <u>-0-</u>                         | <u>90,890</u>                            | <u>90,890</u>       |
| <b>Total Liabilities</b>                         | <u>16,577</u>                      | <u>164,402</u>                           | <u>180,979</u>      |
| <b>Net Position</b>                              |                                    |  |                     |
| Net Investment in Capital Assets                 | 988,228                            | 2,044,143                                | 3,032,371           |
| Restricted                                       | -0-                                | -0-                                      | -0-                 |
| Unrestricted                                     | 16,299                             | (6,486)                                  | 9,813               |
| <b>Total Net Position</b>                        | <u>\$ 1,004,527</u>                | <u>\$ 2,037,657</u>                      | <u>\$ 3,042,184</u> |

The accompanying notes are an integral part of this statement.

**Village of Sicily Island, Louisiana**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

|                                       | PROGRAM REVENUES    |                            |                     |                                 |                              | NET REVENUES (EXPENSES) & CHANGES<br>OF PRIMARY GOVERNMENT |                                |                     |
|---------------------------------------|---------------------|----------------------------|---------------------|---------------------------------|------------------------------|--|--------------------------------|---------------------|
|                                       | Expenses            | Charges<br>for<br>Services | Operating<br>Grants | Capital<br>Grants               | Net<br>(Expenses)<br>Revenue | Governmental<br>Activities                                 | Business<br>Type<br>Activities | Total               |
| <b>Governmental Activities</b>        |                     |                            |                     |                                 |                              |  |                                |                     |
| General Government                    | \$ (221,250)        | \$ 16,212                  | \$ -0-              | \$ 2,225                        | \$ (202,813)                 | \$ (202,813)   |                                | \$ (202,813)        |
| Fire                                  | (8,631)             | 8,532                      | -0-                 | -0-                             | (99)                         | (99)   |                                | (99)                |
| Public Safety                         | (105,609)           | -0-                        | -0-                 | -0-                             | (105,609)                    | (105,609)  |                                | (105,609)           |
| Sanitation                            | (25,609)            | 594                        | -0-                 | -0-                             | (25,015)                     | (25,015)   |                                | (25,015)            |
| Street Repair                         | (57,808)            | 1,761                      | -0-                 | -0-                             | (56,047)                     | (56,047)   |                                | (56,047)            |
| <b>Total Governmental Activities</b>  | <u>(418,907)</u>    | <u>27,099</u>              | <u>-0-</u>          | <u>2,225</u>                    | <u>(389,583)</u>             | <u>(389,583)</u>   |                                | <u>(389,583)</u>    |
| <b>Business Type Activities</b>       |                     |                            |                     |                                 |                              |  |                                |                     |
| Water                                 | (155,737)           | 98,772                     | -0-                 | 199,017                         | 142,052                      |  | \$ 142,052                     | 142,052             |
| Sewer                                 | (47,416)            | 47,852                     | -0-                 | -0-                             | 436                          |  | 436                            | 436                 |
| Gas                                   | (57,433)            | 88,726                     | -0-                 | -0-                             | 31,293                       |  | 31,293                         | 31,293              |
| Interest on Long-Term Debt            | (3,535)             | -0-                        | -0-                 | -0-                             | (3,535)                      |  | (3,535)                        | (3,535)             |
| <b>Total Business Type Activities</b> | <u>(264,121)</u>    | <u>235,350</u>             | <u>-0-</u>          | <u>199,017</u>                  | <u>170,246</u>               |  | <u>170,246</u>                 | <u>170,246</u>      |
| <b>Total Primary Government</b>       | <u>\$ (683,028)</u> | <u>\$ 262,449</u>          | <u>\$ -0-</u>       | <u>\$ 201,242</u>               | <u>\$ (219,337)</u>          |  |                                | <u>(219,337)</u>    |
|                                       |                     |                            |                     | <b>General Revenues</b>         |                              |  |                                |                     |
|                                       |                     |                            |                     | Taxes                           |                              | 81,755   | -0-                            | 81,755              |
|                                       |                     |                            |                     | Fines                           |                              | 67,032   | -0-                            | 67,032              |
|                                       |                     |                            |                     | Other                           |                              | 15,241   | 1,002                          | 16,243              |
|                                       |                     |                            |                     | Transfers In (Out)              |                              | 99,403   | (99,403)                       | -0-                 |
|                                       |                     |                            |                     | <b>Total General Revenues</b>   |                              | <u>263,431</u>   | <u>(98,401)</u>                | <u>165,030</u>      |
|                                       |                     |                            |                     | <b>Change in Net Position</b>   |                              | (126,152)  | 71,845                         | (54,307)            |
|                                       |                     |                            |                     | Prior Period Adjustment         |                              | -0-  | 10,174                         | 10,174              |
|                                       |                     |                            |                     | <b>Net Position – Beginning</b> |                              | 1,130,679  | 1,955,638                      | 3,086,317           |
|                                       |                     |                            |                     | <b>Net Position – Ending</b>    |                              | <u>\$ 1,004,527</u>  | <u>\$ 2,037,657</u>            | <u>\$ 3,042,184</u> |

The accompanying notes are an integral part of this statement.

**Village of Sicily Island, Louisiana**  
**Balance Sheet, Governmental Funds**  
**June 30, 2017**

|  |    | <u>GENERAL</u> |
|--|----|----------------|
| <b>Assets</b>                                      |    |                |
| Cash & Cash Equivalents                            | \$ | 15,030         |
| Receivables (Net of Allowances for Uncollectables) |    | 17,846         |
| <b>Total Assets</b>                                |    | <u>32,876</u>  |
| <br><b>Liabilities</b>                             |    |                |
| Accounts, Salaries, & Other Payables               |    | 16,577         |
| <b>Total Liabilities</b>                           |    | <u>16,577</u>  |
| <br><b>Fund Balance</b>                            |    |                |
| Unassigned   |    | 16,299         |
| <b>Total Fund Balance</b>                          |    | <u>16,299</u>  |
| <br><b>Total Liabilities &amp; Fund Balance</b>    | \$ | <u>32,876</u>  |

The accompanying notes are an integral part of this statement.

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

Amounts reported for governmental activities in the Statement of Net Position are different because:

|   |    |                  |
|---|----|------------------|
| Fund Balance, Total Governmental Funds (Statement C)  | \$ | 16,299           |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.                  |    | 988,228          |
| Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. |    | -----<br>-0-     |
| Net Position of Governmental Activities (Statement A)   | \$ | <u>1,004,527</u> |

The accompanying notes are an integral part of this statement.

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

|  | <b>GENERAL</b> |
|--|----------------|
| <b>Revenues</b>  |                |
| Fees & Charges   | \$ 27,099      |
| Taxes  | 81,755         |
| Fines  | 67,032         |
| Capital Grants   | 2,225          |
| Miscellaneous  | 15,241         |
| <b>Total Revenues</b>  | 193,352        |
| <b>Expenditures</b>  |                |
| General Government   | 101,016        |
| Fire   | 8,631          |
| Public Safety  | 105,609        |
| Sanitation   | 25,609         |
| Street Repair  | 57,808         |
| Capital Outlay   | -0-            |
| <b>Total Expenditures</b>  | 298,673        |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | (105,321)      |
| <b>Other Financing Sources (Uses)</b>                            |                |
| USDA Grant Reimbursement   | (28,562)       |
| Transfers In/(Out)   | 99,403         |
| <b>Total Other Financing Sources (Uses)</b>                      | 70,841         |
| <b>Net Change in Fund Balance</b>                                | (34,480)       |
| <b>Fund Balances - Beginning</b>                                 | 50,779         |
| <b>Fund Balances - Ending</b>                                    | \$ 16,299      |

The accompanying notes are an integral part of this statement.

**Village of Sicily Island, Louisiana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**& Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2017**

Amounts reported for governmental activities in the Statement of Activities are different because:

|  |             |
|--|-------------|
| Net Change in Fund Balances, Total Governmental Funds, Statement E | \$ (34,480) |
|--|-------------|

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. This is the amount by which capital outlays exceeded depreciation in the current period.

|                   |          |          |
|-------------------|----------|----------|
| Capital Purchases | -0-      |          |
| Depr. Expense     | (91,672) |          |
|                   | (91,672) | (91,672) |

The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                |     |     |
|----------------|-----|-----|
| Debt Issued    | -0- |     |
| Principal Paid | -0- |     |
|                | -0- | -0- |

|   |                     |
|---|---------------------|
| Changes in Net Position of Governmental Activities, statement B | \$ <u>(126,152)</u> |
|---|---------------------|

The accompanying notes are an integral part of this statement.

**Village of Sicily Island, Louisiana**  
**Statement of Net Position, Proprietary Funds**  
**June 30, 2017**

|   | <b>Business-Type Activities-Enterprise Fund</b> |                     |                   | <b>Totals</b>       |
|---|---|---------------------|-------------------|---------------------|
|   | <b>Water</b>                                    | <b>Sewer</b>        | <b>Gas</b>        |                     |
| <b>Current Assets</b>   |   |                     |                   |                     |
| Cash & Cash Equivalents   | \$ 4,477  | \$ 311              | \$ 762            | \$ 5,550            |
| Receivables (Net of Allowances for Uncollectibles)              | 9,302   | 4,052               | 2,930             | 16,284              |
| <b>Total Current Assets</b>                                     | <u>13,779</u>                                   | <u>4,363</u>        | <u>3,692</u>      | <u>21,834</u>       |
| <b>Non-Current Assets</b>                                       |   |                     |                   |                     |
| Restricted Assets   | 30,269  | 1                   | -0-               | 30,270              |
| Capital Assets (Net of Accumulated Depreciation)                | 873,107   | 1,152,743           | 124,105           | 2,149,955           |
| <b>Total Non-Current Assets</b>                                 | <u>903,376</u>                                  | <u>1,152,744</u>    | <u>124,105</u>    | <u>2,180,225</u>    |
| <b>Total Assets</b>   | <u>917,155</u>                                  | <u>1,157,107</u>    | <u>127,797</u>    | <u>2,202,059</u>    |
| <b>Current Liabilities</b>                                      |   |                     |                   |                     |
| Accounts, Salaries, & Other Payables                            | 4,427   | -0-                 | 9,661             | 14,088              |
| <b>Total Current Liabilities</b>                                | <u>4,427</u>                                    | <u>-0-</u>          | <u>9,661</u>      | <u>14,088</u>       |
| <b>Current Liabilities Payable From Restricted Assets</b>       |   |                     |                   |                     |
| Customer Deposits   | 44,502  | -0-                 | -0-               | 44,502              |
| Current Bonds & Interest Payable                                | -0-   | 14,922              | -0-               | 14,922              |
| <b>Total Current Liabilities Payable From Restricted Assets</b> | <u>44,502</u>                                   | <u>14,922</u>       | <u>-0-</u>        | <u>59,424</u>       |
| <b>Total Current Liabilities</b>                                | <u>48,929</u>                                   | <u>14,922</u>       | <u>9,661</u>      | <u>73,512</u>       |
| <b>Non Current Liabilities</b>                                  |   |                     |                   |                     |
| Revenue Bonds & Notes Payable                                   | -0-   | 90,890              | -0-               | 90,890              |
| <b>Total Non-Current Liabilities</b>                            | <u>-0-</u>                                      | <u>90,890</u>       | <u>-0-</u>        | <u>90,890</u>       |
| <b>Total Liabilities</b>  | <u>48,929</u>                                   | <u>105,812</u>      | <u>9,661</u>      | <u>164,402</u>      |
| <b>Net Position</b>   |   |                     |                   |                     |
| Invested in Capital Assets Net of Related Debt                  | 873,107   | 1,046,931           | 124,105           | 2,044,143           |
| Restricted  | -0-   | -0-                 | -0-               | -0-                 |
| Unrestricted  | (4,881)   | 4,364               | (5,969)           | (6,486)             |
| <b>Total Net Position</b>                                       | <u>\$ 868,226</u>                               | <u>\$ 1,051,295</u> | <u>\$ 118,136</u> | <u>\$ 2,037,657</u> |

The accompanying notes are an integral part of this statement.

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

|  | <u>Water</u>      | <u>Sewer</u>        | <u>Gas</u>        | <u>Total</u>        |
|--|-------------------|---------------------|-------------------|---------------------|
| <b>Operating Revenues</b>                          |                   |                     |                   |                     |
| Charges for Services:                              |                   |                     |                   |                     |
| Water Sales  | \$ 98,772         | \$ -0-              | \$ -0-            | \$ 98,772           |
| Sewer Charges                                      | -0-               | 47,852              | -0-               | 47,852              |
| Gas Sales  | -0-               | -0-                 | 88,726            | 88,726              |
| <b>Total Operating Revenues</b>                    | <u>98,772</u>     | <u>47,852</u>       | <u>88,726</u>     | <u>235,350</u>      |
| <b>Operating Expenses</b>                          |                   |                     |                   |                     |
| Cost of Sales & Services                           | 82,694            | -0-                 | 25,856            | 108,550             |
| Administration                                     | 19,451            | 7,780               | 15,475            | 42,706              |
| Depreciation                                       | 53,592            | 39,636              | 16,102            | 109,330             |
| <b>Total Operating Expenses</b>                    | <u>155,737</u>    | <u>47,416</u>       | <u>57,433</u>     | <u>260,586</u>      |
| <b>Operating Income (Loss)</b>                     | (56,965)          | 436                 | 31,293            | (25,236)            |
| <b>Nonoperating Revenues (Expenses)</b>            |                   |                     |                   |                     |
| Interest Earnings                                  | 992               | 10                  | -0-               | 1,002               |
| Interest Expense                                   | -0-               | (3,535)             | -0-               | (3,535)             |
| <b>Total Nonoperating Revenues (Expenses)</b>      | <u>992</u>        | <u>(3,525)</u>      | <u>-0-</u>        | <u>(2,533)</u>      |
| <b>Income Before Contributions &amp; Transfers</b> | <u>(55,973)</u>   | <u>(3,089)</u>      | <u>31,293</u>     | <u>(27,769)</u>     |
| Transfers In/(Out)                                 | (6,514)           | (35,549)            | (57,340)          | (99,403)            |
| Capital Contributions                              | 199,017           | -0-                 | -0-               | 199,017             |
| <b>Change in Net Position</b>                      | 136,530           | (38,638)            | (26,047)          | 71,845              |
| Prior Period Adjustment                            | 10,174            | -0-                 | -0-               | 10,174              |
| <b>Total Net Position - Beginning</b>              | <u>721,522</u>    | <u>1,089,933</u>    | <u>144,183</u>    | <u>1,955,638</u>    |
| <b>Total Net Position - Ending</b>                 | <u>\$ 868,226</u> | <u>\$ 1,051,295</u> | <u>\$ 118,136</u> | <u>\$ 2,037,657</u> |

The accompanying notes are an integral part of this statement.

**Village of Sicily Island, Louisiana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**June 30, 2017**

|   | <u>Water</u>     | <u>Sewer</u>    | <u>Gas</u>      | <u>Total</u>     |
|---|------------------|-----------------|-----------------|------------------|
| <b>Cash Flows From Operating Activities</b>                                   |                  |                 |                 |                  |
| Receipts From Customers & Users   | \$ 99,123        | \$ 47,772       | \$ 89,210       | \$ 236,105       |
| Payments to Suppliers   | (94,441)         | -0-             | (7,688)         | (102,129)        |
| Payments to Employees   | (19,451)         | (7,780)         | (23,982)        | (51,213)         |
| <b>Net Cash Provided (Used) by Operating Activities</b>                       | <u>(14,769)</u>  | <u>39,992</u>   | <u>57,540</u>   | <u>82,763</u>    |
| <b>Cash Flows From NonCapital Financing Activities</b>                        |                  |                 |                 |                  |
| Transfers (to)/from Other Funds   | (6,514)          | (35,549)        | (57,340)        | (99,403)         |
| Other Revenue   | -0-              | -0-             | -0-             | -0-              |
| <b>Net Cash Provided (Used) by NonCapital Financing Activities</b>            | <u>(6,514)</u>   | <u>(35,549)</u> | <u>(57,340)</u> | <u>(99,403)</u>  |
| <b>Cash Flows From Capital &amp; Related Financing Activities</b>             |                  |                 |                 |                  |
| Capital Contributions   | 199,017          | -0-             | -0-             | 199,017          |
| Principal on Capital Debt   | -0-              | (14,465)        | -0-             | (14,465)         |
| Interest Paid on Capital Debt   | -0-              | (3,535)         | -0-             | (3,535)          |
| Purchase of Capital Assets  | (199,017)        | -0-             | -0-             | (199,017)        |
| <b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b> | <u>-0-</u>       | <u>(18,000)</u> | <u>-0-</u>      | <u>(18,000)</u>  |
| <b>Cash Flows From Investing Activities</b>                                   |                  |                 |                 |                  |
| Interest and Dividends Received   | 11,166           | 10              | -0-             | 11,176           |
| <b>Net Cash Provided (Used) by Investing Activities</b>                       | <u>11,166</u>    | <u>10</u>       | <u>-0-</u>      | <u>11,176</u>    |
| <b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>                 | (10,117)         | (13,547)        | 200             | (23,464)         |
| <b>Cash &amp; Cash Equivalents, Beginning of Year</b>                         | 44,863           | 13,859          | 562             | 59,284           |
| <b>Cash &amp; Cash Equivalents, End of Year</b>                               | <u>34,746</u>    | <u>312</u>      | <u>762</u>      | <u>35,820</u>    |
| <b>Reconciliation to Balance Sheet</b>  |                  |                 |                 |                  |
| Cash and Cash Equivalents   | 4,477            | 311             | 762             | 5,550            |
| Restricted Cash   | 30,269           | 1               | -0-             | 30,270           |
| <b>Total Cash and Cash Equivalents</b>  | <u>\$ 34,746</u> | <u>\$ 312</u>   | <u>\$ 762</u>   | <u>\$ 35,820</u> |

The accompanying notes are an integral part of this statement.

**Village of Sicily Island, Louisiana**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

**Reconciliation**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

|  | <u>Water</u>    | <u>Sewer</u>  | <u>Gas</u>    | <u>Total</u>   |
|--|-----------------|---------------|---------------|----------------|
| Operating Income (Loss)  | \$ (56,965)     | \$ 436        | \$ 31,293     | \$ (25,236)    |
| Depreciation Expense   | 53,592          | 39,636        | 16,102        | 109,330        |
| (Increase) Decrease in Accounts Receivable                               | (65)            | (79)          | 484           | 340            |
| Increase (Decrease) in Accounts Payable                                  | (11,747)        | -0-           | 9,661         | (2,086)        |
| Increase (Decrease) in Customer Deposits                                 | 416             | -0-           | -0-           | 416            |
| <b>TOTAL ADJUSTMENTS</b>   | <u>42,196</u>   | <u>39,557</u> | <u>26,247</u> | <u>108,000</u> |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                  | <u>(14,769)</u> | <u>39,993</u> | <u>57,540</u> | <u>82,764</u>  |
| <b>LISTING OF NONCASH INVESTING, CAPITAL, &amp; FINANCIAL ACTIVITIES</b> |                 |               |               |                |
| Contributions of Capital Assets From Government                          | \$ <u>-0-</u>   | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u>  |

The accompanying notes are an integral part of this statement.

**Notes To The Basic  
Financial Statements**

# VILLAGE OF SICILY ISLAND, LOUISIANA

## NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Sicily Island was incorporated August 21, 1955, under the provisions of the Lawrason Act. The Village operates under the Mayor-Board of Alderman form of government. The Village provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water, gas and sewer services) and general administrative functions, including coordination of related services with parish, state and federal governing bodies.

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

The following is a summary of certain significant accounting policies:

#### A. GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

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

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

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

# VILLAGE OF SICILY ISLAND, LOUISIANA

## NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

### CONTINUED

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

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

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

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

The municipality reports the following major governmental funds:

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

The municipality reports the following major proprietary funds:

- Water Fund
- Sewer Fund
- Gas Fund

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

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

# VILLAGE OF SICILY ISLAND, LOUISIANA

## NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

### CONTINUED

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

The Village has a policy of applying expenses to restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### C. EQUITY CLASSIFICATIONS

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

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

Restricted Net Position - Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

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

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

In the Fund Financial Statements, governmental fund equity is classified as a fund balance. The District has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) 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;

**VILLAGE OF SICILY ISLAND, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**CONTINUED**

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.

**D. CASH, CASH EQUIVALENTS, & INVESTMENTS – (C.D.'S IN EXCESS OF 90 DAYS)**

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

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

***Deposits***

It is the Village's policy for deposits (demand checking accounts, savings accounts, and certificate of deposits) to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Village's deposits are categorized to give an indication of the level of risk assumed by the Village at year end. The categories are describes as follows:

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

VILLAGE OF SICILY ISLAND, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

CONTINUED

|                               | <u>Sicily Island<br/>State Bank</u> |
|-------------------------------|-------------------------------------|
| <b>Bank Balances</b>          | \$ <u>55,249</u>                    |
| <i>Secured As Follows</i>     |                                     |
| FDIC (Category 1)             | 55,249                              |
| Securities (Category 2)       | -0-                                 |
| Uncollateralized (Category 3) | -0-                                 |
| <b>Total</b>                  | \$ <u>55,249</u>                    |

All deposits were fully secured as of June 30, 2017.

**E. INVENTORIES**

Inventories of materials and supplies are considered to be expenditures at the time purchased. Amounts on hand at the financial statement date are considered immaterial and therefore not included on the statements of assets and liabilities.

**F. ACCOUNTS RECEIVABLE & ALLOWANCES FOR BAD DEBTS**

Uncollectable amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectables of the receivable. Below is a summary of accounts receivable and allowance for bad debts by funds:

|                         | <u>General<br/>Fund</u> | <u>Enterprise<br/>Funds</u> | <u>Total</u>     |
|-------------------------|-------------------------|-----------------------------|------------------|
| Accounts Receivable     | \$ 17,846               | \$ 17,071                   | \$ 34,917        |
| Allowances for Bad Debt | -0-                     | (787)                       | (787)            |
| <b>Total</b>            | \$ <u>17,846</u>        | \$ <u>16,284</u>            | \$ <u>34,130</u> |

**2. AD VALOREM TAXES**

For the year ended June 30, 2017, taxes of 7.63 mills were levied on property with assessed valuations totaling, \$1,242,953 and were dedicated as follows:

|                            |      |
|----------------------------|------|
| General Corporate Purposes | 7.63 |
|----------------------------|------|

Total taxes levied were \$9,484. Taxes are due October 15 of each year and become delinquent on January 1.

**VILLAGE OF SICILY ISLAND, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**CONTINUED**

**3. RESTRICTED ASSETS - PROPRIETARY FUND TYPES**

Restricted assets were applicable to the following at June 30, 2017:

|                              | <u>Sewer</u> | <u>Water</u>     | <u>Gas</u>    | <u>Total</u>     |
|------------------------------|--------------|------------------|---------------|------------------|
| Customer Deposits            | \$ -0-       | \$ 30,269        | \$ -0-        | \$ 30,269        |
| Bond Reserve Account         | -0-          | -0-              | -0-           | -0-              |
| Depreciation Reserve Account | -0-          | -0-              | -0-           | -0-              |
| Revenue Sinking              | 1            | -0-              | -0-           | 1                |
| <b>Total</b>                 | <u>\$ 1</u>  | <u>\$ 30,269</u> | <u>\$ -0-</u> | <u>\$ 30,270</u> |

**4. CHANGES IN FIXED ASSETS – PROPRIETARY FUNDS**

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

|                                | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--------------------------------|------------------------------|------------------|------------------|---------------------------|
| Gas System                     | \$ 470,381                   | \$ -0-           | \$ -0-           | \$ 470,381                |
| Water System*                  | 1,624,854                    | 199,017          | -0-              | 1,823,871                 |
| Sewer System*                  | 2,030,738                    | -0-              | -0-              | 2,030,738                 |
| <b>Total</b>                   | <u>4,125,973</u>             | <u>199,017</u>   | <u>-0-</u>       | <u>4,324,990</u>          |
| Less: Accumulated Depreciation | <u>(2,065,705)</u>           | <u>(109,330)</u> | <u>-0-</u>       | <u>(2,175,035)</u>        |
| <b>Net</b>                     | <u>\$ 2,060,268</u>          | <u>\$ 89,687</u> | <u>\$ -0-</u>    | <u>\$ 2,149,955</u>       |

\*

\*Land in the amount of \$38,280 in the Sewer System is not being depreciated.

\*Land in the amount of \$1,000 in the Water System is not being depreciated.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|                             |            |
|-----------------------------|------------|
| Vehicles and Equipment      | 5-10 years |
| Gas, Water, & Sewer Systems | 40 years   |

**5. CHANGES IN GENERAL FIXED ASSETS – GOVERNMENTAL FUNDS**

|                          | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--------------------------|------------------------------|--------------------|------------------|---------------------------|
| Fixed Assets*            | \$ 2,011,357                 | \$ -0-             | \$ -0-           | \$ 2,011,357              |
| Accumulated Depreciation | <u>(931,457)</u>             | <u>(91,672)</u>    | <u>-0-</u>       | <u>(1,023,129)</u>        |
| <b>Net Fixed Assets</b>  | <u>\$ 1,079,900</u>          | <u>\$ (91,672)</u> | <u>\$ -0-</u>    | <u>\$ 988,228</u>         |

\*Land in the amount of \$13,000 is included in the fixed assets and is not being depreciated.

**VILLAGE OF SICILY ISLAND, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**CONTINUED**

Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives as follows:

|                        |            |
|------------------------|------------|
| Vehicles and Equipment | 5-10 years |
| Parking Lot            | 20 years   |

**6. LONG-TERM DEBT**

The following is a summary of revenue bond transactions and general obligation debt transactions of the Village of Sicily Island for the year ended June 30, 2017.

|                                   |           | <b>Sewer<br/>Revenue<br/>Bonds</b> |
|-----------------------------------|-----------|------------------------------------|
| Bonds & Notes Payable - Beginning | \$        | 120,277                            |
| Additions                         |           | -0-                                |
| Principal Retirements             |           | (14,465)                           |
| <b>Total</b>                      | <b>\$</b> | <b><u>105,812</u></b>              |

Bonds payable at June 30, 2017, are comprised of the following issues:

**Revenue Bonds**

Original: \$393,800 Sewer Revenue Bond dated September 2, 1981, due in annual installments of \$9,000 to \$23,000 through September 2, 2021, with interest rate of 5%.

Modified: Lender waived \$50,000 in principal and all accrued interest. New principal due of \$125,000 due in monthly installments of \$1,500 through December 2, 2023, with an interest rate of 3%.

\$ 105,812

**Total**

**\$ 105,812**

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest payments, are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principle</b>         | <b>Interest</b>         | <b>Total</b>             |
|---------------------------------|--------------------------|-------------------------|--------------------------|
| 2018                            | \$ 14,922                | \$ 3,078                | \$ 18,000                |
| 2019                            | 15,392                   | 2,608                   | 18,000                   |
| 2020                            | 15,878                   | 2,122                   | 18,000                   |
| 2021                            | 16,378                   | 1,622                   | 18,000                   |
| 2022                            | 16,895                   | 1,105                   | 18,000                   |
| 2023-2025                       | 26,347                   | 653                     | 27,000                   |
| <b>Total</b>                    | <b>\$ <u>105,812</u></b> | <b>\$ <u>11,188</u></b> | <b>\$ <u>117,000</u></b> |

**VILLAGE OF SICILY ISLAND, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**CONTINUED**

**7. USE OF ESTIMATES**

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

**8. LITIGATION**

Below is an instance of litigation that may or may not have an effect on the financials in future periods:

An alderman was involved in a vehicle accident while driving a Village vehicle. The Village has been contacted by an attorney concerning the involved accident, but no suit had been filed as yet concerning the incident. From the information the attorney has received other than the damage to the vehicle, there were minor physical injuries to the occupants of the vehicle. From the information the attorney has received, if litigated, it's likely this would be a case of possible comparative negligence on the part of the Village. At this time, the amount of possible damages and likelihood of success are impossible to determine.

**9. ELECTED OFFICIAL'S SALARIES**

| <u>Name</u>     | <u>Title</u>    | <u>Annualized<br/>Salary</u> |
|-----------------|-----------------|------------------------------|
| Walter Krause   | Mayor           | \$4,245                      |
| Derrick Fraizer | Alderman        | \$4,245                      |
| Emma Hilliard   | Alderman        | \$4,245                      |
| Mark Krause     | Alderman        | \$4,245                      |
| Paul Jackson    | Chief of Police | \$22,800                     |

**10. TRANSFERS BETWEEN FUNDS**

|                    | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Funds</u> |
|--------------------|-------------------------------|-----------------------------|
| Transfers In (Out) | \$ <u>99,403</u>              | \$ <u>(99,403)</u>          |

Transfers were made for operational purposes.

VILLAGE OF SICILY ISLAND, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

CONTINUED

11. WATER, SEWER, AND GAS RATES

| <u>Water: (291 Customers)</u> | <u>Minimum Charge</u>                               | <u>Next</u>  |
|-------------------------------|---|--|
| Residential                   | \$19.00 for 1 <sup>st</sup> 2,000 gals. water used  | \$4.70 per 1,000 for additional gals. water used           |
| <u>Sewer: (223 Customers)</u> |   |  |
| Residential                   | \$ 16.00 for 1 <sup>st</sup> 2,000 gals. water used | Maximum of \$22.00 charge for additional gals. water used. |
| <u>Gas: (124 Customers)</u>   |   |  |
| Residential                   | \$ 4.50 per gallon above cost                       |  |

12. PRIOR PERIOD ADJUSTMENT

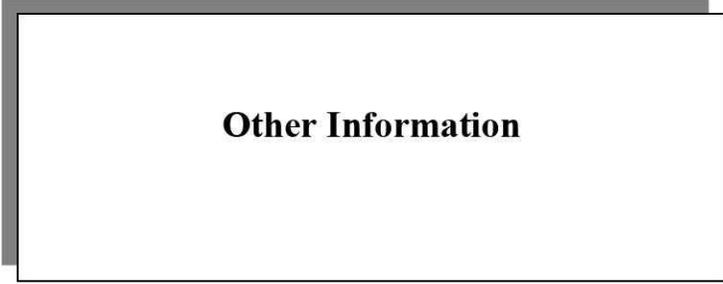
A prior period adjustment totaling \$10,174 was made to correct investment balance.

**Required Supplemental Information**

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

|  | Budget Amounts |           | Actual<br>Amounts<br>Budgetary<br>Basis | Differences<br>Favorable<br>(Unfavorable) |
|--|----------------|-----------|---|---|
|  | Original       | Final     |   |   |
| <b>Revenues</b>  |                |           |   |   |
| Fees & Charges   | \$ 38,500      | \$ 18,400 | \$ 27,099                               | \$ 8,699                                  |
| Taxes  | 89,900         | 93,900    | 81,755                                  | (12,145)                                  |
| Fines  | 35,000         | 56,000    | 67,032                                  | 11,032                                    |
| Grants   | -0-            | 18,690    | 2,225                                   | (16,465)                                  |
| Other  | 1,950          | 14,700    | 15,241                                  | 541                                       |
| <b>Total Revenues</b>  | 165,350        | 201,690   | 193,352                                 | (8,338)                                   |
| <b>Expenditures</b>  |                |           |   |   |
| General Government   | 90,905         | 122,330   | 101,016                                 | 21,314                                    |
| Fire   | 15,000         | 9,425     | 8,631                                   | 794                                       |
| Public Safety  | 78,175         | 105,150   | 105,609                                 | (459)                                     |
| Sanitation   | 30,100         | 25,800    | 25,609                                  | 191                                       |
| Street Repair  | 31,675         | 54,450    | 57,808                                  | (3,358)                                   |
| Capital Outlay   | -0-            | -0-       | -0-                                     | -0-                                       |
| <b>Total Expenditures</b>                                      | 245,855        | 317,155   | 298,673                                 | 18,482                                    |
| <b>Excess (Deficiency) of Revenues Over Under Expenditures</b> | (80,505)       | (115,465) | (105,321)                               | 10,144                                    |
| <b>Other Financing Sources (Uses)</b>                          |                |           |   |   |
| USDA Grant Reimbursement                                       | -0-            | -0-       | (28,562)                                | (28,562)                                  |
| Transfers In/(Out)   | 80,000         | 115,000   | 99,403                                  | (15,597)                                  |
| <b>Total Other Financing Sources (Uses)</b>                    | 80,000         | 115,000   | 70,841                                  | (44,159)                                  |
| <b>Net Change in Fund Balance</b>                              | \$ (505)       | \$ (465)  | (34,480)                                | \$ (34,015)                               |
| <b>Fund Balances - Beginning</b>                               |                |           | 50,779                                  |   |
| <b>Fund Balances - Ending</b>                                  |                |           | \$ 16,299                               |   |

The accompanying notes are an integral part of this statement.



**Other Information**

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

Honorable Walter Krause, Mayor

| <u>Purpose</u>                         | <u>Amount</u> |
|--|---------------|
| Salary                                 | \$ 4,245      |
| Benefits-Insurance                     | -0-           |
| Benefits-Retirement                    | -0-           |
| Benefits (Expense Allowance)           | -0-           |
| Car Allowance                          | -0-           |
| Vehicle Provided by Government         | -0-           |
| Per Diem                               | -0-           |
| Reimbursements                         | -0-           |
| Travel                                 | -0-           |
| Registration Fees                      | -0-           |
| Conference Travel                      | 134           |
| Continuing Professional Education Fees | -0-           |
| Housing                                | -0-           |
| Un-vouchered Expenses*                 | -0-           |
| Special Meals                          | \$ -0-        |

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

See independent auditor's report.



**Other Reports**

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## **THE VERCHER GROUP**

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### MEMBERS

American Institute of  
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Certified Public Accountants

Association of  
Certified Fraud Examiners

### **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***

Village of Sicily Island  
101 Sicily Ave.  
Sicily Island, LA. 71368

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 and the business-type activities of the Village of Sicily Island, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village of Sicily Island’s basic financial statements and have issued our report thereon dated January 3, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Sicily Island’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 of Sicily Island’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Sicily Island’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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: **(2017-1 Small Size of Entity, 2017-4 Policies and Procedures Manual, 2017-5 Personnel Files)**.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Sicily Island'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 test disclosed 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 Findings and Questioned Costs as items: **(2017-2 Restricted Cash and Customer Deposits Liability, 2017-3 Annual Filing of Financial Statements)**.

### **The Village of Sicily Island's Response to Findings**

The Village of Sicily Island's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Village of Sicily Island'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 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 public document and its distribution is not limited.

*The Vercher Group*

January 3, 2017

Jena, Louisiana



**VILLAGE OF SICILY ISLAND  
SICILY ISLAND, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)  
For the Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

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**2017-1 Small Size of Entity (Internal Control)**

**Condition:** Because of the small size of the Village and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village's cash.

**Criteria:** Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving and check writing.

**Cause of Condition:** Small size of entity and lack of employees.

**Effect of Condition:** Significant deficiency in internal controls.

**Recommendation:** We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

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

**2017-2 Restricted Cash and Customer Deposits Liability**

**Condition:** The Village currently has a customer liability of \$44,502 and cash set aside, or restricted, for the liability in the amount of \$30,269.

**Criteria:** The Village should have enough restricted cash in an amount equal to the customer liability.

**Cause of Condition:** Spending the restricted cash in past years or depositing customer deposits into wrong accounts.

**Effect of Condition:** Not having sufficient cash to cover customer deposit liability.

**Recommendation:** The Village should continue setting aside restricted cash from future operations of the water fund to cover and meet the customer deposit liability.

**Client Response:** The Village will continue setting aside restricted cash from future operations of the water fund to cover and meet the customer deposit liability. Discussed with Mayor, clerk, and council at meeting.

**VILLAGE OF SICILY ISLAND  
SICILY ISLAND, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)  
For the Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

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**2017-3 Annual Filing of Financial Statements (Compliance)**

**Condition:** The Village did not timely file their financial statements with the Legislative Auditor on a timely basis.

**Criteria:** LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable, require that governmental units file their financial statements annually with the Legislative Auditor's Office within six months of the entity's year end closing.

**Cause of Condition:** Not having the financial statements completed on time.

**Effect of Condition:** Compliance finding and a freeze on grant funding.

**Recommendation:** The Village should have their audit completed in time to file with the Legislative Auditor's Office within six months of the Village's year end closing.

**Client Response:** The Village will have their audit completed in time to file with the Legislative Auditor's Office within six months of the Village's year end closing.

**2017-4 Policies and Procedures Manual**

**Condition:** The Village does not have a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit card/fuel cards, travel and expense reimbursement, ethics and debt service.

**Criteria:** Good internal controls require that an entity have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards/fuel cards, travel and expense reimbursements, ethics and debt service.

**Cause of Condition:** Not having written policies and procedures.

**Effect of Condition:** Significant internal control deficiency.

**Recommendation:** The Village should prepare a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics and debt service.

**Client Response:** The Village is in the process of preparing a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursements, ethics and debt service.

**VILLAGE OF SICILY ISLAND  
SICILY ISLAND, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)  
For the Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

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**2017-5 Personnel Files**

**Condition:** The Village does not have personnel files on employees documenting approval of pay rates and employee leave.

**Criteria:** Good internal controls require that pay rates and employee leave be approved by the mayor or council member.

**Cause of Condition:** Lack of documentation in personnel files.

**Effect of Condition:** Significant internal control deficiency.

**Recommendation:** The Village should have personnel files on all employees with documented approval of pay rates and employee leave.

**Client Response:** The Village will establish personnel files that document approval of pay rates and employee leave.

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**Section III – Federal Awards Findings and Questioned Costs**

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Not applicable.

VILLAGE OF SICILY ISLAND, LOUISIANA

MANAGEMENT'S CORRECTIVE ACTION  
FOR CURRENT YEAR AUDIT FINDINGS

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**FINDINGS:**

**2017-1 Small Size of Entity**

*Finding:* Because of the small size of the Village and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village's cash.

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

*Contact Person:* Walter Krause

*Anticipated Completion Date:* N/A

**2017-2 Restricted Cash and Customer Deposits Liability**

*Finding:* The Village currently has a customer liability of \$44,502 and cash set aside, or restricted, for the liability in the amount of \$30,269. The Village should have enough restricted cash in an amount equal to the customer liability.

*Corrective Action:* The Village will continue setting aside restricted cash from future operations of the water fund to cover and meet the customer deposit liability. Discussed with Mayor, clerk and council at meeting.

*Contact Person:* Walter Krause

*Anticipated Completion Date:* June 30, 2018

**2017-3 Annual Filing of Financial Statements**

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

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

*Contact Person:* Walter Krause

*Anticipated Completion Date:* June 30, 2018

VILLAGE OF SICILY ISLAND, LOUISIANA

MANAGEMENT'S CORRECTIVE ACTION  
FOR CURRENT YEAR AUDIT FINDINGS - (CONT.)

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**FINDINGS:**

**2017-4 Policies and Procedures Manual**

*Finding:* The Village does not have a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit card/fuel cards, travel and expense reimbursement, ethics and debt service.

*Corrective Action:* The Village is in the process of preparing a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursements, ethics and debt service.

*Contact Person:* Walter Krause

*Anticipated Completion Date:* June 30, 2018

**2017-5 Personnel Files**

*Finding:* The Village does not have personnel files on employees documenting approval of pay rates and employee leave. Good internal controls require that pay rates and employee leave be approved by the mayor or council member.

*Corrective Action:* The Village will establish personnel files that document approval of pay rates and employee leave.

*Contact Person:* Walter Krause

*Anticipated Completion Date:* June 30, 2018

**VILLAGE OF SICILY ISLAND, LOUISIANA**

**MANAGEMENT LETTER COMMENTS**

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During the course of our audit, we observed conditions and circumstances that may be improved. Below are situations that may be improved (if any) and recommendations for improvements.

**CURRENT YEAR MANAGEMENT LETTER COMMENTS**

None to report.

**VILLAGE OF SICILY ISLAND  
SICILY ISLAND, LOUISIANA  
JUNE 30, 2017**

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**MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS**

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

The management of the Village of Sicily Island, Louisiana has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended June 30, 2016.

**Prior Year Findings**

**2016-1 Small Size of Entity (Internal Control) (Unresolved)**

**Condition:** Because of the small size of the Village and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village's cash.

**Criteria:** Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving and check writing.

**Cause of Condition:** Small size of entity and lack of employees.

**Effect of Condition:** Significant deficiency in internal controls.

**Recommendation:** We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

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

**2016-2 Restricted Cash and Customer Deposits Liability (Unresolved)**

**Condition:** The Village currently has a customer liability of \$44,086 and cash set aside, or restricted, for the liability in the amount of \$29,763.

**Criteria:** The Village should have enough restricted cash in an amount equal to the customer liability.

**Cause of Condition:** Spending the restricted cash in past year or depositing customer deposits into wrong accounts.

VILLAGE OF SICILY ISLAND  
SICILY ISLAND, LOUISIANA  
JUNE 30, 2017

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**MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS (CONTINUED...)**

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**Potential Effect of Condition:** Not having sufficient cash to cover customer deposit liability.

**Recommendation:** The Village should continue setting aside restricted cash from future operations of the water fund to cover and meet the customer deposit liability.

**Client Response:** The Village will continue setting aside restricted cash from future operations of the water fund to cover and meet the customer deposit liability.

**Effect of Condition:** Significant deficiency in internal controls.

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## **THE VERCHER GROUP**

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### MEMBERS

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Certified Public Accountants

Association of  
Certified Fraud Examiners

### **AGREED-UPON PROCEDURES REPORT**

**Village of Sicily Island, Louisiana**

**Independent Accountant's Report**

**On Applying Agreed-Upon Procedures**

**For the Period of July 1, 2016- June 30, 2017**

Village of Sicily Island

Sicily Island, Louisiana

We have performed the procedures enumerated below, which were agreed to by Village of Sicily Island (Entity) 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 Entity'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 and associated findings are as follows:

## *Written Policies and Procedures*

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1. Obtain the entity'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 entity does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - 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.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts**, including receiving, recording, and preparing deposits
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - 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
  - 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
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - 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 entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
  - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Observation:** We obtained a copy of the written policies and procedures manual and read it for the above items.

**Exception:** The policy and procedures manual did not address budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics or debt service.

**Management's Response:** The entity will add those items not addressed to its written policies and procedures manual.

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

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2. Obtain and review 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.
  - 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 entity's prior audit (GAAP-basis).
    - 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.
  - 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.

**Observation:**

- A.) We read the minutes of the council meetings and found the council meets monthly.**
- B) Budget-to-actual comparisons are not presented each month.**
- C) Minutes included non-budgetary financial information such as contract approvals.**

**Exception: Budget-to-actual comparisons are not presented each month.**

**Managements Response: Due to the small size of the entity and a lack of large transactions, the entity only reviews and revises the budget when large unexpected transactions occur. The entity does not have an operating system that prepares a budget-to-actual comparison.**

***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity'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;
- 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
- 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.

**Observation: We obtained a listing of bank accounts on bank confirmations and management’s representation the listings were complete.**

- A) Bank reconciliations are prepared for all bank accounts that have activity.**
- B) Bank reconciliations do not include evidence that a member of management or a board member (with no involvement in the transactions of those bank accounts) has reviewed the bank reconciliations.**
- C) Inquiry found the entity reviews old outstanding items after annual audit.**

**Exception: Bank reconciliations do not include evidence that a member of management or a board member (with no involvement in the transactions of those bank accounts) has reviewed the bank reconciliations.**

**Management’s response: Bank reconciliations are prepared by an outside fee accountant and the financial position of the Village is reviewed at the monthly council meetings.**

### ***Collections***

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

**Observation: We obtained the listing (town hall) and management’s representation that the listing is complete.**

- 6. Using the listing provided by management, select all of the entity’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.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity 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.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - Using entity 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.
  - 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.

**Observation:**

- A) We found that 1) all employees are bonded, 2) the clerk sometimes is responsible for deposited cash in the bank and 3) the entity only has one cash drawer, due to small size of entity, which is shared.**

**Exception: The clerk sometimes is responsible for deposited cash in the bank. The collection clerk shares the register with other employees due to small size of entity.**

**Management's Response: Management feels the cost/benefit of implementing this procedure is prohibitive.**

- B) The individual that reconciles cash collections to the general ledger may be responsible for cash collections in the cash collection location.**

**Exception: The individual that reconciles cash collections to the general ledger may be responsible for cash collections in the cash collection location.**

**Management's Response: Management feels the cost/benefit of implementing this procedure is prohibitive.**

- C) We traced daily (January 20, 2017) collections to the deposit date on the corresponding bank statement and deposits were made within one day of collection. However, after inquiry with clerk, the entity does not always make daily deposits due to small amount of funds on hand.**

**Exception: Deposits not always made daily.**

**Managements Response: Due to the lack of cash collections, entity can't justify making daily deposits.**

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) 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.

**Observation:** The entity does not have written documentation, such as a policy manual or written procedures, to determine completeness of all collections. The entity does have a process specifically designed to determine completeness of collection, which include receipts books and reconciliations of funds.

**Exception:** No written documentation (e.g. policy manual, written procedure) for the entity's process defined to determine completeness of all collections.

**Managements Response:** The entity will create a policy or written procedure to determine completeness of all collections.

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

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

**Observation:** We obtained a general ledger from the entity and management's representation that the general ledger population is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity 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.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- 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.

**Observation:** We randomly selected 25 disbursements and obtained supporting documentation of the following:

- A) Purchases were initiated using a requisition order system.

**B) Purchase requisitions are not approved by a person not initiating the purchase.**

**Exception: Purchase requisitions are not approved by a person not initiating the purchase.**

**Management's Response: This procedure is not achievable due to the small size of the entity.**

**C) Purchases are not processed without an approved invoice.**

10. Using entity 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 entity's purchasing/disbursement system.

**Observation: Inquiry found that the person responsible for processing payments is not prohibited from adding vendors to the entity's purchasing/disbursement system.**

**Exception: The Clerk is responsible for processing payments and adds vendors to the entity's purchasing/disbursement system.**

**Management's Response: Due to the small size of entity, proper internal controls are not always achievable.**

11. Using entity 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.

**Observation: The persons with signatory authority or who make the final authorization for disbursements have responsibility for initiating or recording purchases.**

**Exception: The persons with signatory authority or who make the final authorization for disbursements have responsibility for initiating or recording purchases.**

**Management's Response: This procedure is not achievable due to the small size of the entity.**

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, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

**Observation: Inquiry and observation found that unused checks are locked in the entity's file cabinet.**

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.

**Not applicable.**

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.

**Observation: Management provided a listing of all credit cards and management's representation that the list is complete.**

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity 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.

**Observation: The entity has (1) debit card.**

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

**Observation: We obtained the monthly statement July 2017 and tested it for the following:**

**A) The statement is not reviewed and approved in writing by the mayor or council.**

**Exception: The statement is not reviewed and approved in writing by the mayor or council.**

**Management's Response: Disbursements will be approved at monthly council meetings.**

**B) There were no finance charges on the statement.**

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)
  - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity'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.
- c) For each transaction, compare the entity'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.

**Observation: We tested the October 2016 statement for the following:**

- A) Itemized receipt, documentation of the business purpose and documented as to the individuals participating.**
- B) Compared each transaction with the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law.**

**Exception: The entity does not have a written purchasing/disbursement policy.**

**Management's Response: The entity is currently working on a policy and procedure manual.**

- C) Documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution.**

### ***Travel and Expense Reimbursement***

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- 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.

**Observation: Management provided a general ledger and management's representation that the general ledger is complete.**

- 18. Obtain the entity'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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Observation: The entity does not have written policies related to travel and expense reimbursements.**

**Exception: The entity does not have written policies related to travel and expense reimbursements.**

**Management's Response: The entity will adopt written policies related to travel and expense reimbursements.**

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 entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
  - b) 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.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
    - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
  - c) Compare the entity'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.
  - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Observation: We selected three persons who incurred the most travel cost during the fiscal period and chose the largest travel expense for each person.**

**A.) The entity does not have written policies and procedures related to travel.**

**Exception: The entity does not have written policies and procedures related to travel.**

**Management's Response: The entity is currently working on a policies and procedure manual.**

**B.) Each expense is supported by documentation stating the purpose and a receipt where applicable.**

**C.) Compared documentation of the business purposes to the requirements of Article 7, Section 14 of Louisiana Constitution and found no exceptions.**

**D.) Each expense and related documentation is not reviewed and approved, in writing, by someone other than the person receiving the reimbursement.**

**Exception: Each expense and related documentation is not reviewed and approved, in writing, by someone other than the person receiving the reimbursement.**

**Management's Response: The Mayor co-signs all checks.**

**Contracts**

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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.

**Observation: We obtained a general ledger from management and management's representation that the general ledger is complete.**

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.
- 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 entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
  - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- 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.
- 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.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

**Observation: We found that the entity had 4 contracts during the fiscal year and we tested them for the following:**

- A) There is a formal /written contract that supports the services arrangement and the amount paid.**
- B) One contract was subject to the Louisiana Public Bid Law and documentation show that bids were taken and administered by the entity's engineer.**
- C) The engineer's contract was amended in 2015.**

**D) We selected the largest payment from each of the contracts and compared to the invoice and the contract terms.**

**E) The minutes show that the contracts were approved by council.**

***Payroll and Personnel***

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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. Randomly 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.
- 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.

**Observation: We randomly selected 5 employees and tested as follows:**

**A) There was no employment contract and no documented pay rate structure on all employees.**

**B) One employee selected had a pay rate change.**

**Exception: The entity does not have written documentation of pay rates approval in all employee's personnel files.**

**Management's Response: The entity will provide written documentation of pay rates in the employee's personnel files. Pay rate changes are approved by council and posted in the minutes of meetings.**

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity 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.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

**Observation: We tested employee's personnel files for the following:**

**A) All employees tested had time sheets attendance records.**

**B) Some employees had written approval for attendance and leave.**

**C) There was no written documentation maintained on all employees.**

**Exception: No written documentation or approval for attendance and leave.**

**Managements Response: The entity will begin to document written approval for attendance and leave.**

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.

**Observation: The entity had three employees terminate during the fiscal year and accrued leave was paid to none of the employees.**

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.

**Observation: We reviewed forms 941 and the general ledger accrual accounts and found no delinquent payments.**

#### ***Ethics (excluding nonprofits)***

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

**Observation: All of the entity's employees had documentation of ethics compliance.**

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

**Observation: Inquiry found no alleged ethics violations reported to the entity during the fiscal year.**

#### ***Debt Service (excluding nonprofits)***

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

**Observation: No new debt was issued during the fiscal period.**

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

**Observations: We tested all debt and found the entity made scheduled debt service payments as required by debt covenants.**

30. If the entity 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.

**Observations: Not applicable.**

### *Other*

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

**Observation: Inquiry found no reported misappropriations of public funds.**

32. Observe and report whether the entity 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.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Observation: The entity has the notice posted on its premises.**

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.

*The Vercher Group*

Jena, Louisiana  
January 3, 2018