
VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Honorable Anthony Borill, Mayor
and the Board of Aldermen
Village of Estherwood, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana (the Village or Estherwood), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 34-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Estherwood's basic financial statements. The schedule of compensation, benefits, and other payments to the Mayor is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits, and other payments to the Mayor is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to the Mayor is fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Village has suffered recurring losses from operations in its proprietary funds that has led to deficit unrestricted net position in those funds as well as minimal unassigned fund balance in its general fund. Management's evaluation of the events and conditions and management's plans to mitigate those matters are also described in Note 13. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Lafayette, Louisiana
December 18, 2018

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

This section of the Village of Estherwood's (the Village) annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Village's combined total net position increased by \$253,909 or 14.09% over the course of this year's operations. Net position of the governmental activities increased by \$24,193 or 4.65% while net position of the business-type activities increased by \$229,716 or 17.92%.
- The general fund reported a \$173,053 fund balance at year end. However, \$159,785 of this amount is non-spendable and \$4,126 is restricted, leaving the Village with minimal spendable operating reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Figure A-1

Major Features of the Village's Government and Fund Financial Statements

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

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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

	Governmental Activities		Business-Type Activities	
	<u>2018</u>	<u>2017</u> <u>(restated)</u>	<u>2018</u>	<u>2017</u> <u>(restated)</u>
Current and other assets	\$ 40,586	\$ 32,482	\$ 157,458	\$ 108,275
Internal balances	159,785	117,139	(159,785)	(117,139)
Capital assets	371,542	394,129	2,261,688	2,030,891
Total assets	571,913	543,750	2,259,361	2,022,027
Current liabilities	27,318	23,348	96,466	69,979
Long term liabilities	-	-	651,501	670,370
Total liabilities	27,318	23,348	747,967	740,349
Net position				
Net investment in capital assets	371,542	394,129	1,575,899	1,360,521
Restricted	4,126	4,668	13,757	-
Unrestricted	168,927	121,605	(78,262)	(78,843)
Total net position	\$ 544,595	\$ 520,402	\$1,511,394	\$1,281,678

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Change in net position. The Village's total revenues increased \$326,420 (See Table A-2). The increase was primarily attributable to an increase in capital grant funding from the State of Louisiana as well as increased charges for services in business-type activities. Additionally, fines increased approximately \$24,000 due to police officers issuing additional citations during 2018. During 2018, approximately 34.47 percent of the Village's revenue came from grants and contributions, 45.69 percent from charges for services, and 15.15 percent from tax collections. The total cost of all programs and services decreased by \$14,402.

Table A-2
Changes in Village's Net Position

	Governmental Activities		Business-Type Activities	
	<u>2018</u>	<u>2017</u> <u>(restated)</u>	<u>2018</u>	<u>2017</u> <u>(restated)</u>
Revenues				
Program revenues				
Charges for services	\$ 57,312	\$ 33,400	\$ 301,143	\$ 217,146
Grants and contributions	1,200	4,023	269,182	59,518
General revenues				
Taxes	118,871	110,174	-	-
Licenses and permits	25,539	23,731	-	-
Miscellaneous	9,813	6,817	1,403	3,234
Total revenues	212,735	178,145	571,728	279,898
Expenses				
General government	96,208	94,816	-	-
Public safety	41,790	33,719	-	-
Public works	49,711	54,184	342,012	361,404
Total expenses	187,709	182,719	342,012	361,404
Loss on disposal of capital assets	(833)	-	-	(89,592)
Increase (decrease) in net position	\$ 24,193	\$ (4,574)	\$ 229,716	\$ (171,098)

Governmental Activities

Revenues for the Village's governmental activities increased \$34,590 or 19.42 percent, while total expenses increased \$4,990 or 2.73 percent.

Business-type Activities

Revenues for the Village's business-type activities increased \$291,830 or 104.26 percent due to the additional capital grant funding from the State of Louisiana as well as increased charges for services. Costs of services decreased \$19,392 or 5.37 percent.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As the Village completed the year, its governmental fund reported a fund balance of \$173,053 while the enterprise funds reported combined net position of \$1,511,394. However, the majority of governmental fund's equity is non-spendable and the Village's operating reserves are minimal.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village's Board of Alderman revised the General Fund budget to adjust various revenues and expenditures. With these adjustments, actual expenditures were \$20,402 less than final budgeted expenditures. Also, actual revenues were \$33,876 more than final budgeted revenues.

CAPITAL ASSETS

At June 30, 2018, the Village had invested approximately \$2.6 million in a broad range of capital assets, including police department equipment, buildings, vehicles, and gas, sewer, and water systems (See Table A-3). This amount represents a net increase (including additions, like water system improvements, and deductions such as depreciation) of \$208,210 from last year.

Table A-3
Village's Capital Assets

	Governmental Activities		Business Activities	
	<u>2018</u>	<u>2017</u> <u>(restated)</u>	<u>2018</u>	<u>2017</u> <u>(restated)</u>
Improvements other than buildings	\$ 343,121	\$ 343,121	\$ -	\$ -
Buildings	133,025	133,025	-	-
Infrastructure	827,238	827,238	3,172,107	3,158,550
Equipment	145,400	148,800	119,690	119,690
Land	10,479	10,479	37,480	37,480
Construction in Progress	-	-	323,706	36,114
Accumulated depreciation	(1,087,721)	(1,068,534)	(1,391,295)	(1,320,943)
Total	\$ 371,542	\$ 394,129	\$ 2,261,688	\$ 2,030,891

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

LONG TERM DEBT

At the end of the current fiscal year, the Village had long term debt outstanding of \$651,501 as compared to \$670,370 in the prior year (See Table A-4). This net decrease is due to issuance of (or draws upon) utility revenue bonds in the amount of \$11,616 in the current year and principal repayments and forgiveness of debt totaling \$30,485. More information about the Village's long-term liabilities is presented in Note 8 to the financial statements.

Table A-4
Village's Outstanding Debt

	Governmental Activities		Business Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Utility Revenue Bonds	\$ -	\$ -	\$ 651,501	\$ 670,370

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The major source of revenue for the proprietary funds is charges for utility services. In September 2017, the Board of Aldermen voted to increase utility rates of the Village, and those rate increases have had a positive impact on the Village's operations during 2018. The Board reviewed rates, but has not yet proposed rate increases for fiscal year 2019. The Board intends to revisit the impact of these increases and make adjustments if needed during fiscal year 2019.

As indicated in footnote 13 to the financial statements, the Village has experienced operating deficits and cash flow shortages in its proprietary funds in recent years, and operating reserves have depleted as a result. Continued monitoring of utility rates and financial performance in the utility funds is needed order for the Village to meet its ongoing obligations.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash	\$ 13,932	\$ 28,890	\$ 42,822
Accounts receivable, net	-	27,412	27,412
Unbilled services receivable	-	11,892	11,892
Franchise fee receivable	7,732	-	7,732
Due from other governmental agencies	14,796	27,836	42,632
Internal balances	159,785	(159,785)	-
Restricted assets:			
Cash	4,126	51,353	55,479
Certificates of deposit	-	10,075	10,075
Capital assets:			
Non-depreciable	10,479	361,186	371,665
Depreciable, net	361,063	1,900,502	2,261,565
	<u>571,913</u>	<u>2,259,361</u>	<u>2,831,274</u>
TOTAL ASSETS	\$ 571,913	\$ 2,259,361	\$ 2,831,274
<u>LIABILITIES:</u>			
Accounts payable and accrued liabilities	\$ 27,318	\$ 22,269	\$ 49,587
Retainage payable	-	24,584	24,584
Unearned grant revenue	-	1,942	1,942
Customer deposits	-	47,671	47,671
Long-term liabilities:			
Bonds payable	-	651,501	651,501
	<u>27,318</u>	<u>747,967</u>	<u>775,285</u>
TOTAL LIABILITIES	27,318	747,967	775,285
<u>NET POSITION:</u>			
Net investment in capital assets	371,542	1,575,899	1,947,441
Restricted	4,126	13,757	17,883
Unrestricted	168,927	(78,262)	90,665
	<u>544,595</u>	<u>1,511,394</u>	<u>2,055,989</u>
TOTAL NET POSITION	\$ 544,595	\$ 1,511,394	\$ 2,055,989

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:						
General government	\$ 96,208	\$ -	\$ -	\$ (96,208)	\$ -	\$ (96,208)
Public safety	41,790	54,112	1,200	13,522	-	13,522
Public works	49,711	3,200	-	(46,511)	-	(46,511)
Total governmental activities	<u>187,709</u>	<u>57,312</u>	<u>1,200</u>	<u>(129,197)</u>	<u>-</u>	<u>(129,197)</u>
Business-type:						
Water	126,691	140,548	258,600	-	272,457	272,457
Gas	95,082	74,638	-	-	(20,444)	(20,444)
Sewer	120,239	85,957	10,582	-	(23,700)	(23,700)
Total business-type activities	<u>342,012</u>	<u>301,143</u>	<u>269,182</u>	<u>-</u>	<u>228,313</u>	<u>228,313</u>
Total	<u>\$ 529,721</u>	<u>\$ 358,455</u>	<u>\$ 270,382</u>	<u>(129,197)</u>	<u>228,313</u>	<u>99,116</u>
General revenues:						
Taxes -						
Property				21,177	-	21,177
Sales				64,307	-	64,307
Franchise				33,387	-	33,387
Licenses and permits				25,539	-	25,539
Grants and contributions not restricted to specific programs						
				934	-	934
Investment income						
				15	-	15
Miscellaneous						
				8,864	1,403	10,267
Loss on disposal of capital assets						
				(833)	-	(833)
				<u>153,390</u>	<u>1,403</u>	<u>154,793</u>
				24,193	229,716	253,909
Net position, beginning, restated (Note 14)				<u>520,402</u>	<u>1,281,678</u>	<u>1,802,080</u>
Net position, ending				<u>\$ 544,595</u>	<u>\$ 1,511,394</u>	<u>\$ 2,055,989</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018

	General Fund
<u>ASSETS</u>	
Cash	\$ 13,932
Cash, restricted for police auxiliary	4,126
Due from other governmental agencies	14,796
Franchise fee receivable	7,732
Due from other funds	159,785
	159,785
TOTAL ASSETS	\$ 200,371
 <u>LIABILITIES</u>	
Accounts payable and accrued liabilities	27,318
TOTAL LIABILITIES	27,318
 <u>FUND BALANCE</u>	
Non-spendable	159,785
Restricted	4,126
Unassigned	9,142
TOTAL FUND BALANCE	173,053
TOTAL LIABILITIES AND FUND BALANCE	\$ 200,371

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Fund balance at June 30, 2018 - governmental fund	\$	173,053
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets at June 30, 2018	1,459,263		
Less: Accumulated depreciation at June 30, 2018	<u>(1,087,721)</u>	<u>371,542</u>	

Net position at June 30, 2018 - Governmental Activities	\$	<u><u>544,595</u></u>
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VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund
<u>REVENUES:</u>	
Sales taxes	\$ 64,307
Property taxes	21,177
Franchise taxes	33,387
Licenses and permits	25,539
Intergovernmental	2,134
Charges for services	3,200
Fines	54,112
Investment income	15
Miscellaneous	8,864
Total revenues	212,735
 <u>EXPENDITURES:</u>	
Current-	
General government	89,313
Public safety	41,530
Public works	33,512
Capital outlay	1,600
Total expenditures	165,955
 Net change in fund balance	46,780
 Fund balance, beginning	126,273
 Fund balance, ending	\$ 173,053

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - governmental fund	\$	46,780
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlay	\$	1,600
Depreciation expense		(23,354)
Loss on disposal of assets		(833)
		(22,587)
Change in net position of governmental activities	\$	24,193

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
<u>ASSETS:</u>				
CURRENT ASSETS -				
Cash	\$ 4,922	\$ 5,154	\$ 18,814	\$ 28,890
Accounts receivable, net	14,256	4,049	9,107	27,412
Unbilled services receivable	6,116	1,553	4,223	11,892
Due from other funds	412	-	-	412
Due from other governmental agencies	27,836	-	-	27,836
Restricted assets:				
Cash	27,975	8,860	14,518	51,353
Certificates of deposit	4,267	2,785	3,023	10,075
TOTAL CURRENT ASSETS	<u>85,784</u>	<u>22,401</u>	<u>49,685</u>	<u>157,870</u>
NON-CURRENT ASSETS -				
Capital assets:				
Non-depreciable	323,706	-	37,480	361,186
Depreciable, net	907,996	6,369	986,137	1,900,502
TOTAL NON-CURRENT ASSETS	<u>1,231,702</u>	<u>6,369</u>	<u>1,023,617</u>	<u>2,261,688</u>
TOTAL ASSETS	<u>\$ 1,317,486</u>	<u>\$ 28,770</u>	<u>\$ 1,073,302</u>	<u>\$ 2,419,558</u>
<u>LIABILITIES:</u>				
CURRENT LIABILITIES -				
Accounts payable	\$ 18,262	\$ 2,052	\$ 1,955	\$ 22,269
Retainage payable	24,584	-	-	24,584
Unearned grant revenue	-	-	1,942	1,942
Due to other funds	67,076	61,336	31,785	160,197
Current liabilities paid from restricted funds:				
Customers' deposits	18,485	11,645	17,541	47,671
TOTAL CURRENT LIABILITIES	<u>128,407</u>	<u>75,033</u>	<u>53,223</u>	<u>256,663</u>
NON-CURRENT LIABILITIES -				
Bonds payable, long-term portion	651,501	-	-	651,501
TOTAL LIABILITIES	<u>779,908</u>	<u>75,033</u>	<u>53,223</u>	<u>908,164</u>
<u>NET POSITION:</u>				
Net investment in capital assets	545,913	6,369	1,023,617	1,575,899
Restricted	13,757	-	-	13,757
Unrestricted (deficit)	(22,092)	(52,632)	(3,538)	(78,262)
TOTAL NET POSITION	<u>537,578</u>	<u>(46,263)</u>	<u>1,020,079</u>	<u>1,511,394</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,317,486</u>	<u>\$ 28,770</u>	<u>\$ 1,073,302</u>	<u>\$ 2,419,558</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 140,548	\$ 74,638	\$ 85,957	\$ 301,143
Miscellaneous	1,255	148	-	1,403
Total operating revenues	<u>141,803</u>	<u>74,786</u>	<u>85,957</u>	<u>302,546</u>
Operating expenses:				
Salaries and payroll taxes	28,062	39,825	27,678	95,565
Materials and supplies	12,913	2,319	5,566	20,798
Office expenses	1,769	1,526	2,258	5,553
Depreciation	24,008	1,203	45,141	70,352
Utilities and telephone	7,411	1,786	7,938	17,135
Fuel purchased	-	17,273	-	17,273
Professional services	3,634	10,854	10,015	24,503
Repairs and maintenance	11,309	6,358	12,930	30,597
Insurance	4,676	5,810	7,149	17,635
Miscellaneous	13,133	8,128	1,564	22,825
Total operating expenses	<u>106,915</u>	<u>95,082</u>	<u>120,239</u>	<u>322,236</u>
Operating income (loss)	<u>34,888</u>	<u>(20,296)</u>	<u>(34,282)</u>	<u>(19,690)</u>
Nonoperating revenue (expense):				
Grant revenue	1,035	-	10,582	11,617
Interest expense	(19,776)	-	-	(19,776)
Total nonoperating revenue (expense)	<u>(18,741)</u>	<u>-</u>	<u>10,582</u>	<u>(8,159)</u>
Income (loss) before capital contributions	<u>16,147</u>	<u>(20,296)</u>	<u>(23,700)</u>	<u>(27,849)</u>
Capital contributions	<u>257,565</u>	<u>-</u>	<u>-</u>	<u>257,565</u>
Change in net position	273,712	(20,296)	(23,700)	229,716
Net position, beginning, restated (Note 14)	<u>263,866</u>	<u>(25,967)</u>	<u>1,043,779</u>	<u>1,281,678</u>
Net position, ending	<u>\$ 537,578</u>	<u>\$ (46,263)</u>	<u>\$ 1,020,079</u>	<u>\$ 1,511,394</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 135,486	\$ 73,340	\$ 81,363	\$ 290,189
Payments to suppliers for goods and services	(54,756)	(53,882)	(45,465)	(154,103)
Payments to employees for services	(28,062)	(39,825)	(27,678)	(95,565)
Other operating receipts	1,255	148	-	1,403
Net cash provided by (used in) operating activities	<u>53,923</u>	<u>(20,219)</u>	<u>8,220</u>	<u>41,924</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Increase (decrease) in customers' deposits	395	(340)	510	565
Payments to and from other funds, net	17,014	19,760	5,872	42,646
Net cash provided by non-capital financing activities	<u>17,409</u>	<u>19,420</u>	<u>6,382</u>	<u>43,211</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchase of capital assets	(253,304)	-	(13,557)	(266,861)
Proceeds from issuance of debt	11,616	-	-	11,616
Principal payments on debt	(27,000)	-	-	(27,000)
Interest expense paid	(19,776)	-	-	(19,776)
Grant revenue received	232,014	-	-	232,014
Net cash used in capital and related financing activities	<u>(56,450)</u>	<u>-</u>	<u>(13,557)</u>	<u>(70,007)</u>
Net change in cash and cash equivalents	14,882	(799)	1,045	15,128
Cash and cash equivalents, beginning of year	18,015	14,813	32,287	65,115
Cash and cash equivalents, end of year	<u>\$ 32,897</u>	<u>\$ 14,014</u>	<u>\$ 33,332</u>	<u>\$ 80,243</u>
Classified as:				
Current assets	\$ 4,922	\$ 5,154	\$ 18,814	\$ 28,890
Restricted assets	27,975	8,860	14,518	51,353
Total	<u>\$ 32,897</u>	<u>\$ 14,014</u>	<u>\$ 33,332</u>	<u>\$ 80,243</u>
<u>Reconciliation of net income (loss)</u>				
<u>to net cash provided by operating activities:</u>				
Income (loss) from operations	\$ 34,888	\$ (20,296)	\$ (34,282)	\$ (19,690)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation expense	24,008	1,203	45,141	70,352
Change in assets and liabilities:				
Receivables, net	(5,062)	(1,298)	(4,594)	(10,954)
Accounts payable	89	172	1,955	2,216
Net cash provided by (used in) operating activities	<u>\$ 53,923</u>	<u>\$ (20,219)</u>	<u>\$ 8,220</u>	<u>\$ 41,924</u>
<u>Non cash capital and related financing activities:</u>				
Forgiveness of debt	\$ 3,485	\$ -	\$ -	\$ 3,485

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity:

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

Primary Government-

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

Component Units-

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation:

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

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

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

Government-Wide Financial Statements-

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements-

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

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

The Village reports the following major governmental fund:

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

The Village reports the following major proprietary funds:

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

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting – Measurement Focus:

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

Government-Wide and Proprietary Fund Financial Statements-

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

Governmental Fund Financial Statements-

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents:

Cash includes amounts in demand deposits and on hand. For purposes of reporting cash flows, the Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Village has no cash equivalents at June 30, 2018.

Investments:

Under State law, the Village may invest in United States bonds, treasury notes or certificates, or time certificates of deposit of State banks having their principle office in the State of Louisiana, or any other federally insured investment. The Village may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. The Village's investments at June 30, 2018, consisted of time certificates of deposit purchased from local financial institutions.

Custodial Credit Risk:

The Village is subjected to custodial credit risk as it relates to their deposits with financial institutions. The Village's policy to ensure there is no exposure to this risk is to require each financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. These securities must be held in the Village's name. Accordingly, the Village had no custodial credit risk related to its deposits at June 30, 2018.

Receivables:

Accounts receivable for the Water, Gas and Sewer Utility Funds are reported net of an allowance for doubtful accounts. The allowance at June 30, 2018 for the Water, Gas, and Sewer Utility funds was \$1,249, \$ 5,177, and \$987, respectively.

Interfund Receivables and Payables:

During the course of operations, numerous transactions occur between individual funds for goods and services rendered. If these transactions are intended to be repaid or reimbursed, they are recorded as interfund loans; or due to and due froms. These receivables and payables are classified as due from other funds or due to other funds in the fund financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted Assets:

Certain resources of the Water, Gas, and Sewer Utility funds are classified as restricted assets in the financial statements because they represent customer's deposits being held by the Village. Additionally, approximately \$13,700 is restricted in the Water fund in order to fund future debt service on the utility revenue bonds.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets:

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

Government-Wide Financial Statements-

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

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

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

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

Fund Financial Statements-

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

Compensated Absences:

Sick leave is credited to permanent full-time employees at a rate of 1.25 days for each month of continuous employment. Unused sick leave is not paid upon termination or separation from employment and is therefore not recorded in the financial statements. Employees earn vacation leave at varying rates of 10 to 20 days per year, depending on length of service. Any unused vacation leave expires at the end of each calendar year. Unused vacation leave is paid upon termination or separation from employment. As of June 30, 2018, any liability for this accumulated leave is considered immaterial to the financial statements taken as a whole and is therefore not recorded.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt:

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

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

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

Deferred Outflows and Deferred Inflows:

Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Village had no deferred outflows or deferred inflows at June 30, 2018.

Equity classifications:

Government-wide statements and Proprietary Fund Statements -

Net Position

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental Fund Financial Statements- Equity

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

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bad Debts:

Uncollectible amounts due from customers' utility receivables are recognized as bad debt charged against revenue by the use of the allowance method.

Interfund Transfers:

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

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Village is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The Village recorded no impairment losses during the year ended June 30, 2018.

Use of Estimates:

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

2. PROPERTY TAXES

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

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

For the year ended June 30, 2018, property taxes of 7.05 mills were levied for general corporate purposes on assessed valuations totaling \$2,024,760. Total taxes levied were \$14,275. Additionally, the local housing authority paid \$6,968 in lieu of property taxes during 2018.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3. COMPENSATION PAID TO ELECTED OFFICIALS

Compensation paid to elected officials for the year ended June 30, 2018 includes:

Anthony Borill, Mayor	\$ 1,200
Donald Popp, Alderman	600
Jo Ann Trahan, Alderman	600
Donna Bertrand, Alderman	600
Ernest J. Villejoin, Sr., Chief of Police (through April 2018)	4,050
Wayne Welsh, Chief of Police (effective April 2018)	4,900
	<u>\$ 11,950</u>

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies at June 30, 2018 consisted of the following:

Sales and use tax receivable	\$ 11,694
Grant receivable	30,659
Other	279
	<u>\$ 42,632</u>

5. INTERFUND BALANCES

Balances between funds at June 30, 2018 are as follows:

<u>Due From</u>	<u>Due To</u> <u>General Fund</u>	<u>Due To</u> <u>Water Fund</u>	<u>Total</u>
Water Utility Fund	\$ 67,070	\$ -	\$ 67,070
Gas Utility Fund	61,336	-	61,336
Sewer Utility fund	31,379	412	31,791
Total interfund balances	<u>\$ 159,785</u>	<u>\$ 412</u>	<u>\$ 160,197</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

6. CAPITAL ASSETS AND DEPRECIATION

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 10,479	\$ -	\$ -	\$ 10,479
Total capital assets not being depreciated	<u>10,479</u>	<u>-</u>	<u>-</u>	<u>10,479</u>
Capital assets being depreciated				
Buildings and improvements	133,025	-	-	133,025
Land improvements	343,121	-	-	343,121
Machinery and equipment	148,800	1,600	(5,000)	145,400
Infrastructure	<u>827,238</u>	<u>-</u>	<u>-</u>	<u>827,238</u>
Total capital assets being depreciated	<u>1,452,184</u>	<u>1,600</u>	<u>(5,000)</u>	<u>1,448,784</u>
Less accumulated depreciation for				
Buildings and improvements	(107,936)	(3,639)	-	(111,575)
Land Improvements	(343,121)	-	-	(343,121)
Machinery and Equipment	(141,008)	(3,953)	4,167	(140,794)
Infrastructure assets	<u>(476,469)</u>	<u>(15,762)</u>	<u>-</u>	<u>(492,231)</u>
Total accumulated depreciation	<u>(1,068,534)</u>	<u>(23,354)</u>	<u>4,167</u>	<u>(1,087,721)</u>
Total governmental Capital assets being depreciated, net	<u>383,650</u>	<u>(21,754)</u>	<u>(833)</u>	<u>361,063</u>
Total governmental activities capital assets, net	<u>\$ 394,129</u>	<u>\$ (21,754)</u>	<u>\$ (833)</u>	<u>\$ 371,542</u>

(continued)

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

6. CAPITAL ASSETS AND DEPRECIATION (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business -type activities:				
Capital assets, not being depreciated				
Land	\$ 37,480	\$ -	\$ -	\$ 37,480
Construction in progress	36,114	287,592	-	323,706
Total capital assets not being depreciated	<u>73,594</u>	<u>287,592</u>	<u>-</u>	<u>361,186</u>
Capital assets being depreciated				
Water utility system	1,159,426	-	-	1,159,426
Gas utility system	55,402	-	-	55,402
Sewer utility system	1,943,722	13,557	-	1,957,279
Machinery and equipment	119,690	-	-	119,690
Total capital assets being depreciated	<u>3,278,240</u>	<u>13,557</u>	<u>-</u>	<u>3,291,797</u>
Less accumulated depreciation for				
Water utility system	(229,761)	(23,729)	-	(253,490)
Gas utility system	(55,292)	(64)	-	(55,356)
Sewer utility system	(931,191)	(43,731)	-	(974,922)
Machinery and equipment	(104,699)	(2,828)	-	(107,527)
Total accumulated depreciation	<u>(1,320,943)</u>	<u>(70,352)</u>	<u>-</u>	<u>(1,391,295)</u>
Total Business-type assets being depreciated, net	<u>1,957,297</u>	<u>(56,795)</u>	<u>-</u>	<u>1,900,502</u>
Total Business-type activities capital assets, net	<u>\$ 2,030,891</u>	<u>\$ 230,797</u>	<u>\$ -</u>	<u>\$ 2,261,688</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

6. CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense for the year ended June 30, 2018 was charged as follows:

Governmental activities:

General government	\$ 6,895
Public safety	260
Public works	16,199
Total governmental activities depreciation expense	<u>\$ 23,354</u>

Business-type activities:

Water	\$ 24,008
Gas	1,203
Sewer	45,141
Total business-type activities depreciation expense	<u>\$ 70,352</u>

7. OPERATING LEASES

The Village has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. These leases are for copy machines and support government activities. Operating lease expenditures for the year ended June 30, 2018 totaled \$626.

8. LONG-TERM DEBT

Long-term debt activity of business-type activities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Proceeds	Reductions	Balance June 30, 2018	Current Portion
Bonds payable	<u>\$ 670,370</u>	<u>\$ 11,616</u>	<u>\$ (30,485)</u>	<u>\$ 651,501</u>	<u>\$ -</u>

The Village entered into an agreement with the Louisiana Department of Health and Hospitals (the Department) as part of the Drinking Water Revolving Loan Fund whereby the Department has committed to loan the Village up to \$990,000 to fund construction, improvements, and replacement of a water system (project). The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the Village will be evidenced through the Series 2014 bonds in amounts up to \$990,000, and these bonds will mature in 20 principal installments, payable annually on each July 1. The principal payments began upon completion of the project. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). Interest on the bonds is incurred at the rate of 3.45% and payment thereof began in December 2014 and continues to occur semi-annually thereafter. The Village has \$17,856 remaining and available to be drawn on these bonds.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

8. LONG-TERM DEBT (continued)

The annual debt service requirements to maturity of this debt is as follows as of June 30, 2018:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 20,001	\$ 20,001
2020	27,000	19,219	46,219
2021	28,000	18,408	46,408
2022	29,000	17,567	46,567
2023	30,000	16,697	46,697
2024-2028	168,000	69,264	237,264
2029-2033	198,000	42,274	240,274
2034-2037	171,501	11,167	182,668
	<u>\$ 651,501</u>	<u>\$ 214,597</u>	<u>\$ 866,098</u>

In accordance with the agreement, thirty percent of the 2014 bond funds advanced to the Village are forgivable as a debt upon advancement. During 2018, advances in the amount of \$3,485 were forgiven.

The Village is required to create reserve accounts and maintain minimum balances within that account and to make monthly deposits into a sinking fund. As of June 30, 2018, the Village has made the minimum monthly deposits into the sinking fund as required in the debt agreement.

During 2018, the Village incurred \$19,776 in interest expense related to the bonds payable.

9. INSURANCE RISK

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

10. GRANTS AND CONTRIBUTIONS

During the fiscal year ended June 30, 2018, the governmental activities received operating grants in the amount of \$1,200. The business-type activities received capital grants in the amount of \$258,108. These grants are subject to examination by the granting agencies which could result in disallowed costs having to be returned to the granting agencies.

11. COMMITMENTS AND CONTINGENCIES

The Village began a water system project during 2018, consisting of construction and engineering costs. As of June 30, 2018, the Village has approximately \$55,440 and \$20,100 remaining to be paid in construction and engineering costs, respectively. Of this amount, \$24,584 is included in retainage payable at June 30, 2018. In order to cover these costs, the Village expects to receive grant funding of approximately \$41,700, and the remainder of the costs will be paid by the Village.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

11. COMMITMENTS AND CONTINGENCIES (continued)

The Village operates a Sanitary Wastewater Disposal System under a NPEDS permit. The NPEDS permit and the State permit under which the discharge is regulated has been the subject of scrutiny by the Environmental Protection Agency (EPA) and the Department of Environmental Quality. The Village is under an Administrative Order to upgrade its facility in order to comply with the permit and the expected more stringent permit discharges. The Village has been cited for past violations and a compliance order was issued. The Village has completed the building and rehabilitation of a sewer pond and the addition of a marsh/rockweed filter to achieve those limits. The Village continues to make efforts to comply with the permit limitations for discharge and to maintain the plant in accordance with those standards. While the Village is making efforts to resolve the violations detailed in the Administrative Order, the EPA is authorized to assess appropriate penalties if the violations are not corrected. As of June 30, 2018, the Village has not been assessed any such penalties.

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

12. ON-BEHALF PAYMENTS FOR SALARIES

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

13. CURRENT OPERATING ENVIRONMENT

The Village's proprietary funds experienced deficits in 2018, which continued to reduce the net position and operating capital in each of those funds. Additionally, the general fund has made advances to those funds for operating purposes which has significantly depleted its spendable fund balance. These deficits are the result of increased expenditures that have not been balanced with recurring revenues of each fund. The Village increased rates in two of the proprietary funds during 2018 and will continue monitoring the need for further increases in these rates in the future. These rate increases are intended to increase revenues to a level that will cover operating costs and begin to allow repayment of advances from the general fund to the proprietary funds. However, if these revenue levels are not achieved, then, the Village will further deplete the fund balance of its general fund and net position, thereby impacting its ability to provide services to its citizens and fulfill its mission. The Village's management, Mayor, and Board of Aldermen are working with the community and business leaders to review and secure more consistent revenue sources for operations.

14. PRIOR PERIOD ADJUSTMENT

During the 2018 fiscal year, the Village noted \$20,025 in grant revenues and construction in progress related to a water project were recorded in the general fund, but should have been recorded in the water fund during the fiscal year ended June 30, 2017. Fiscal year 2017 balances have been restated to reflect this adjustment. The impact to the governmental activities is a decrease in capital assets, revenues and net position of \$20,025 for the year ended June 30, 2017. The impact to the business-type activities (and water fund) is an increase in capital assets, revenues and net position of \$20,025 at June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

See Independent Auditors' Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes-				
Property	\$ 20,000	\$ 21,177	\$ 21,177	\$ -
Sales taxes	50,000	51,000	64,307	13,307
Electric franchise	30,000	24,980	32,482	7,502
Telephone franchise	1,100	675	905	230
Total taxes	<u>101,100</u>	<u>97,832</u>	<u>118,871</u>	<u>21,039</u>
Licenses and permits-				
Licenses	18,300	24,870	25,084	214
Permits	350	455	455	-
Total licenses and permits	<u>18,650</u>	<u>25,325</u>	<u>25,539</u>	<u>214</u>
Intergovernmental-				
State shared revenue:				
Beer tax	1,100	656	934	278
Police supplemental pay	-	-	1,200	1,200
Total intergovernmental	<u>1,100</u>	<u>656</u>	<u>2,134</u>	<u>1,478</u>
Charges for services-				
State highway maintenance fees	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>	<u>-</u>
Fines and forfeits	<u>25,000</u>	<u>50,200</u>	<u>54,112</u>	<u>3,912</u>
Investment income	<u>3</u>	<u>6</u>	<u>15</u>	<u>9</u>
Miscellaneous	<u>1,850</u>	<u>1,640</u>	<u>8,864</u>	<u>7,224</u>
Total revenues	<u>150,903</u>	<u>178,859</u>	<u>212,735</u>	<u>33,876</u>
Expenditures:				
Current-				
General government:				
Salaries, wages, and taxes	2,000	3,000	6,858	(3,858)
Utilities and telephone	16,100	17,100	20,179	(3,079)
Repairs and maintenance	4,000	4,500	4,274	226
Insurance	12,300	15,800	12,249	3,551
Printing and supplies	5,000	6,000	6,486	(486)
Professional services	22,500	35,200	33,794	1,406
Travel and training	11,000	3,500	1,752	1,748
Miscellaneous	6,525	4,675	3,721	954
Total general government	<u>79,425</u>	<u>89,775</u>	<u>89,313</u>	<u>462</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

See Independent Auditors' Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety:				
Salaries, wages, and taxes	10,500	12,000	13,200	(1,200)
Materials and supplies	5,500	6,500	5,434	1,066
Beeper	1,600	1,500	1,433	67
Repairs and maintenance	750	5,000	4,830	170
Insurance	7,500	9,000	9,059	(59)
Court cost	4,000	4,000	3,500	500
Miscellaneous	3,150	4,000	4,074	(74)
Total public safety	<u>33,000</u>	<u>42,000</u>	<u>41,530</u>	<u>470</u>
Public Works:				
Salaries, wages, and taxes	32,000	40,882	24,913	15,969
Materials and supplies	6,000	8,800	8,018	782
Professional services	1,500	1,000	-	1,000
Repairs and maintenance	4,000	2,300	581	1,719
Total public works	<u>43,500</u>	<u>52,982</u>	<u>33,512</u>	<u>19,470</u>
Capital Outlay	<u>4,000</u>	<u>1,600</u>	<u>1,600</u>	<u>-</u>
Total expenditures	<u>159,925</u>	<u>186,357</u>	<u>165,955</u>	<u>20,402</u>
Net change in fund balance	(9,022)	(7,498)	46,780	54,278
Fund balance, beginning	<u>10,022</u>	<u>8,194</u>	<u>126,273</u>	<u>118,079</u>
Fund balance, ending	<u>\$ 1,000</u>	<u>\$ 696</u>	<u>\$ 173,053</u>	<u>\$ 172,357</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

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

1. The Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget was originally submitted to the Board of Aldermen on June 15, 2017.
2. A public hearing was conducted to obtain taxpayer comments on June 27, 2017.
3. The budget was then legally enacted through passage of an ordinance on June 27, 2017.
4. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget is employed as a management control device during the year that assists its users in financial activity analysis.

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

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Anthony Borill, Mayor
and the Board of Aldermen
Village of Estherwood, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana (the Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village of Estherwood's basic financial statements, and have issued our report thereon dated December 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2018-001).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies (2018-002 and 2018-003).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Lafayette, Louisiana
December 18, 2018

VILLAGE OF ESTHERWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

(A) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements: No

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

2018-001 Segregation of Duties

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

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

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

View of Responsible Official and Planned Corrective Action

We concur with the finding and will review and consider implementation of internal controls related to the handling of cash receipts. We will also review procedures regarding collection of cash receipts, recording, and reconciling the related activity. We expect to be able to resolve this finding in fiscal year 2019.

2018-002 Reserves and Financial Monitoring

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

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

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

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

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

View of Responsible Official and Planned Corrective Action

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

VILLAGE OF ESTHERWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

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

2018-003 Interfund Transactions/Balances

Criteria: Governmental Accounting Standards require advances to and from funds that are not to be repaid within a reasonable time to be accounted for as transfers in and out through the operating statement, while those advances that are to be repaid should be accounted for as due to / due from other funds on the balance sheet.

Condition: The Village's general fund has accounted for its advances to the utility funds as due to / from balances for the past several years. However, these advances have not been repaid.

Cause: The Village's intent is and was to repay these balances, however, due to the current financial condition of the utility funds, the balances have not been repaid.

Effect: Carrying of interfund balances beyond reasonable periods of time may distort the true financial picture of each fund involved, and could affect compliance with the budget law.

Recommendation: The Village should revisit its intentions regarding repayment of the interfund balance. If the utility funds are to repay the general fund, then such repayments should begin immediately. Otherwise, record as a transfer from the general fund to the utility funds, and budget accordingly. Also, when preparing future general fund budgets or amendments, the beginning fund balance should be reduced by the unpaid interfund balance so that only spendable resources are reflected in amounts available for payment of expenditures.

View of Responsible Official and Planned Corrective Action

The Village will review interfund balances in fiscal year 2019. If balances cannot be repaid, they will be recorded as transfers between funds.

VILLAGE OF ESTHERWOOD, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2018

2017-001 Segregation of Duties

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

Status: This finding is repeated in the current year at 2018-001. While the Village has hired an additional office employee to help with daily duties, the Village clerk has the ability to handle cash receipts as well as deposit those receipts and reconcile in the accounting system. Additionally, controls over the utility billing system have not been implemented.

2017-002 Debt Covenants and Payments

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

Status: During 2018, the Village established funds required in the bond documents and made monthly payments in accordance with the bond agreement.

2017-003 Reserves and Financial Monitoring

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

Status: While the Village's financial operations in proprietary funds has improved, additional financial monitoring is needed to assist management and the Board in monitoring fiscal operations. This finding is repeated in the current year at 2018-002.

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Year Ended 2018**

To Board of Directors of the Village of Estherwood and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Village of Estherwood (Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and Procedures

Procedures under this section were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the Entity.

Board or Finance Committee

Procedures under this section were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the Entity.

Bank Reconciliations

Procedures under this section were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the Entity.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.

For the deposit site, we performed the procedures below.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 1 collection location. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

An employee responsible for collecting cash is also responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

An employee responsible for collecting cash is also responsible for posting collection entries to the general ledger and subsidiary ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

An employee responsible for reconciling cash collections to the general ledger and subsidiary ledger has the responsibility for collecting cash.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

The Entity represented that all employees who have access to cash are bonded and/or covered under the Entity's insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected two deposit dates for 5 of the Entity's bank accounts. We obtained supporting documentation for each of the 10 deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

The Entity does not maintain sequentially pre-numbered receipts.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

The Entity does not maintain sequentially pre-numbered receipts, system reports. However, we were able to trace collection documentation to the deposit slip for the selected transactions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

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

Procedures under this section were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the Entity.

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

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

A listing of cards was provided. No exceptions were noted as a result of performing this procedure.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

From the listing provided, we randomly selected all of the Entity's 3 credit cards used during the fiscal period. We randomly selected one monthly statement for each of the 3 cards selected and performed the procedures noted below.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

No exceptions noted.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Finance charges and late fees totaling \$61.73 were assessed on one of the three statements selected for testing.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

P&N notes three transactions on the statements selected. Of the three transactions selected for testing, two did not have written documentation of the business or public purpose. These two transactions appeared to be appropriate based on review of the detailed receipt showing item descriptions.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

Procedures under this section were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the Entity.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

Management provided a listing indicating that no employees received termination payments during the fiscal period. Thus, this procedure was not applicable.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

No exceptions noted.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

No exceptions noted.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

A listing of bonds/notes outstanding at the end of the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 1 bond/note and performed the specified procedures. No exceptions noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted that no misappropriations occurred during the fiscal period.

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

No exceptions noted.

Corrective Action

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

Collections: The Village has hired an additional part-time worker to better segregate collection duties. Internal processes are being further revised to ensure collections responsibilities are segregated appropriately. We will review procedures regarding collection of cash receipts, recording, and reconciling the related activity. The Village will also consider the use of sequentially pre-numbered receipts.

Credit Cards/Debit Cards/Fuel Cards/P-Cards: The Village incurred finance charges and late fees during the year, prior to the increase in utility fees/rates. Since the utility rate increases were implemented, the Village has not incurred finance charges and late fees. Additionally, the clerks will review internal processes to ensure written documentation of the business or public purpose is documented on each invoice.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Sincerely,



December 18, 2018