

VILLAGE OF FENTON, LOUISIANA
ANNUAL FINANCIAL REPORT AND INDEPENDENT
AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

November 10, 2017

To the Honorable Eddie Alfred, Jr., Mayor and the Village Council
Village of Fenton, 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 Fenton, Louisiana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate audit evidence about a significant number of revenues and expenditures because management was unable to provide invoices and/or other supporting documentation.

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To the Honorable Eddie Alfred, Jr., Mayor and the Village Council
Village of Fenton, La.
November 10, 2017
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Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Village of Fenton, LA as of June 30, 2016. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 through 34 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 not applied procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. 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.

The Village has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Village of Fenton's, Louisiana basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is presented on page 36 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 Chief Executive Officer is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer has not been subjected to the auditing procedures and certain additional procedures. Accordingly, we do not express an opinion on the Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of the Village of Fenton, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Village of Fenton, La.'s internal control over financial reporting and compliance.



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

VILLAGE OF FENTON, LA.
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,326,276	\$ 83,591	\$ 1,409,867
Receivables	12,474	12,062	24,536
Prepays	10,712	1,571	12,283
Capital assets:			
Land	35,065	14,790	49,855
Construction in progress	59,485	-	59,485
Capital assets, net	<u>1,007,194</u>	<u>741,175</u>	<u>1,748,369</u>
Total assets	<u>2,451,206</u>	<u>853,189</u>	<u>3,304,395</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts and other accrued payables	122,389	-	122,389
Customer deposits	-	4,313	4,313
Long-term liabilities:			
Due within one year	5,522	-	5,522
Due after one year	-	-	-
Total liabilities	<u>127,911</u>	<u>4,313</u>	<u>132,224</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,096,222	755,965	1,852,187
Restricted	94,699	-	94,699
Unrestricted	<u>1,132,374</u>	<u>92,911</u>	<u>1,225,285</u>
Total net position	<u>\$ 2,323,295</u>	<u>\$ 848,876</u>	<u>\$ 3,172,171</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF FENTON, LA.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General and administrative	\$ 556,873	\$ -	\$ 54,341	\$ (502,532)	\$ -	\$ (502,532)
Police	333,441	1,031,861	-	698,420	-	698,420
Interest on long-term debt	-	-	-	-	-	-
Total Governmental Activities	890,314	1,031,861	54,341	195,888	-	195,888
Business-type activities:						
Water and sewer	102,888	90,030	-	-	(12,858)	(12,858)
Interest on long-term debt	-	-	-	-	-	-
Total primary government	\$ 993,202	\$ 1,121,891	\$ 54,341	195,888	(12,858)	183,030
General revenues:						
Taxes -						
Property taxes, levied for general purposes				17,365	-	17,365
Sales and use taxes, levied for general purposes				32,930	-	32,930
Franchise taxes				12,446	-	12,446
Licenses and permits				1,000	-	1,000
Intergovernmental - state revenue sharing				650	-	650
Interest				210	-	210
Miscellaneous				23,196	-	23,196
Transfers				(26,686)	26,686	-
Total general revenues				61,111	26,686	87,797
Change in net position				256,999	13,828	270,827
Net position - Beginning				2,066,296	835,048	2,901,344
Net position - Ending				\$ 2,323,295	\$ 848,876	\$ 3,172,171

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTIONS

General Fund

The general fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

The special revenue fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. The fund accounts for the receipt and use of proceeds of the Village's 2 % sales and use tax.

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Fund

To account for proceeds from debt service to pay on capital project debt.

Proprietary Fund

To account for the provision of water and sewerage services to residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

VILLAGE OF FENTON, LA.
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General	Special Revenue	Capital Projects	Debt Service	2016 Totals	2015 Totals
ASSETS						
Cash	\$ 1,242,414	\$ 83,847	\$ 15	\$ -	\$ 1,326,276	\$ 853,107
Receivables:						
Accounts	-	2,474	-	-	2,474	3,658
Other	10,000	-	-	-	10,000	-
Prepaid insurance	10,712	-	-	-	10,712	10,712
Due from other funds	-	-	1,038	8,363	9,401	10,369
Total assets	<u>1,263,126</u>	<u>86,321</u>	<u>1,053</u>	<u>8,363</u>	<u>1,358,863</u>	<u>877,846</u>
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	<u>\$ 1,263,126</u>	<u>\$ 86,321</u>	<u>\$ 1,053</u>	<u>\$ 8,363</u>	<u>\$ 1,358,863</u>	<u>\$ 877,846</u>
LIABILITIES						
Accounts payable	\$ 122,389	\$ -	\$ -	\$ -	\$ 122,389	\$ 14,862
Due to other funds	8,363	1,038	-	-	9,401	10,369
Total liabilities	<u>130,752</u>	<u>1,038</u>	<u>-</u>	<u>-</u>	<u>131,790</u>	<u>25,231</u>
DEFERRED INFLOWS OF RESOURCES						
	-	-	-	-	-	-
FUND BALANCES						
Restricted	-	85,283	1,053	8,363	94,699	102,616
Unassigned	1,132,374	-	-	-	1,132,374	749,999
Total fund balances	<u>1,132,374</u>	<u>85,283</u>	<u>1,053</u>	<u>8,363</u>	<u>1,227,073</u>	<u>852,615</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
	<u>\$ 1,263,126</u>	<u>\$ 86,321</u>	<u>\$ 1,053</u>	<u>\$ 8,363</u>	<u>\$ 1,358,863</u>	<u>\$ 877,846</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF FENTON, LA.
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2016

Total fund balance for governmental fund at June 30, 2016:		\$ 1,227,073
Total net position reported for governmental activities in the statements of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 35,065	
Construction in progress	59,485	
Capital assets, net of \$831,594 accumulated depreciation	1,007,194	1,101,744
Long-term liabilities at June 30, 2016:		
Bonds payable		(5,522)
Total net position of governmental activities at June 30, 2016		\$ 2,323,295

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF FENTON, LA.
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Special Revenue	Capital Projects	Debt Service	2016 Total	2015 Total
REVENUES						
Taxes	\$ 29,811	\$ 32,930	\$ -	\$ -	\$ 62,741	\$ 74,311
Licenses and permits	1,000	-	-	-	1,000	15,682
Intergovernmental	1,150	53,841	-	-	54,991	52,489
Fines	1,031,861	-	-	-	1,031,861	886,910
Interest	198	12	-	-	210	17
Miscellaneous	23,002	194	-	-	23,196	2,472
TOTAL REVENUES	<u>1,087,022</u>	<u>86,977</u>	<u>-</u>	<u>-</u>	<u>1,173,999</u>	<u>1,031,881</u>
EXPENDITURES						
Current						
General and administrative	357,484	114,407	-	-	471,891	284,017
Police	296,434	-	-	-	296,434	293,204
Capital outlay	-	-	-	-	-	209,447
Debt service						
Principal	4,530	-	-	-	4,530	5,327
Interest	-	-	-	-	-	713
TOTAL EXPENDITURES	<u>658,448</u>	<u>114,407</u>	<u>-</u>	<u>-</u>	<u>772,855</u>	<u>792,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	428,574	(27,430)	-	-	401,144	239,173
OTHER FINANCING SOURCES (USES)						
Proceeds from borrowings	-	-	-	-	-	-
Operating transfers in	-	19,513	-	-	19,513	-
Operating transfers out	(46,199)	-	-	-	(46,199)	(7,953)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(46,199)</u>	<u>19,513</u>	<u>-</u>	<u>-</u>	<u>(26,686)</u>	<u>(7,953)</u>
NET CHANGES IN FUND BALANCES	382,375	(7,917)	-	-	374,458	231,220
FUND BALANCES, BEGINNING	<u>749,999</u>	<u>93,200</u>	<u>1,053</u>	<u>8,363</u>	<u>852,615</u>	<u>621,395</u>
FUND BALANCES, ENDING	<u>\$ 1,132,374</u>	<u>\$ 85,283</u>	<u>\$ 1,053</u>	<u>\$ 8,363</u>	<u>\$ 1,227,073</u>	<u>\$ 852,615</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FENTON, LA.
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2016

Total net changes in fund balances at June 30, 2016 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 374,458
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ -	
Depreciation expense for the period ended June 30, 2016	(121,989)	(121,989)

Governmental funds reported bonded debt repayments as expenditures. However, this expenditure does not appear in the Statement of Activities since the payment is applied against the bond payable in the Statement of Net Assets.

	4,530
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Total changes in net assets at June 30, 2016 per Statement of Activities	\$ 256,999
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The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF FENTON, LA.
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 83,591	\$ 35,734
Receivables, accounts, net	12,082	11,186
Prepaid insurance	1,571	1,571
Total current assets	<u>97,224</u>	<u>48,491</u>
Fixed assets, net of accumulated depreciation	<u>755,965</u>	<u>791,832</u>
Total assets	<u>853,189</u>	<u>840,323</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 853,189</u>	<u>\$ 840,323</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ -	\$ 912
Due to other funds	-	-
Customer deposits	4,313	4,363
Current portion of long-term debt	-	-
Total current liabilities	<u>4,313</u>	<u>5,275</u>
Long-term debt, net of current portion	-	-
DEFERRED INFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
NET POSITION		
Investment in capital assets, net of related debt	755,965	791,832
Unrestricted	<u>92,911</u>	<u>43,216</u>
Total net position	<u>848,876</u>	<u>835,048</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 853,189</u>	<u>\$ 840,323</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF FENTON, LA.
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - PROPRIETARY FUND
Year Ended June 30, 2016

	2016	2015
OPERATING REVENUES		
Water sales	\$ 55,844	\$ 50,617
Sewer service charges	31,511	30,897
Miscellaneous	2,675	3,045
Total Operating Revenues	90,030	84,559
OPERATING EXPENSES		
Bank fees	1,024	-
Insurance	6,033	8,188
Licenses and fees	1,089	669
Miscellaneous	-	843
Personal services	21,120	27,085
Payroll taxes	1,605	2,052
Postage	282	864
Professional fees	590	633
Repairs and maintenance	1,661	4,110
Supplies	18,548	16,070
Telephone	645	1,607
Testing fees	1,636	2,660
Travel	-	-
Utilities	12,789	15,227
Depreciation	35,867	35,867
Total Operating Expenses	102,888	115,875
OPERATING INCOME (LOSS)	(12,858)	(31,316)
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	-	850
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(12,858)	(32,166)
Operating transfers in, net	26,686	7,953
CHANGE IN NET POSITION	13,828	(24,213)
NET POSITION, BEGINNING	835,048	859,261
NET POSITION, ENDING	\$ 848,876	\$ 835,048

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF FENTON, LA.
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
Year Ended June 30, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 89,154	\$ 84,572
Payments to suppliers	(46,863)	(52,399)
Payments to employees	(21,120)	(27,085)
Net cash flows from operating activities	21,171	5,088
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers in, net	26,686	7,953
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on debt	-	(7,103)
Interest paid on debt	-	(850)
Net cash flows from capital and related financing activities	-	(7,953)
NET INCREASE (DECREASE) IN CASH	47,857	5,088
CASH - BEGINNING	35,734	30,646
CASH - ENDING	\$ 83,591	\$ 35,734
Reconciliation of operating income (loss) to net cash from operating activities:		
Operating income (loss)	\$ (12,858)	\$ (31,316)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	35,867	35,867
(Increase) decrease in receivables	(876)	278
(Increase) decrease in prepaids	-	(265)
Increase (decrease) in accounts payable and accrued expenses	(962)	524
Net cash from operating activities	\$ 21,171	\$ 5,088

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

As the governing authority of the Village, for reporting purposes, the Village of Fenton, Louisiana is the financial reporting entity. The financial reporting entity consists of (a) the primary government (Village), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which 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.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Village of Fenton, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Village to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village.
2. Organizations for which the Village does not appoint a voting majority but are fiscally dependent on the Village.
3. Organizations for which the reporting entity financial statements could be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the application of these criteria, there are no component units included in the Village's reporting entity.

2. Basis of Presentation

The accompanying basic financial statements of the Village of Fenton, LA. have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued in June 1999.

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Village as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the Village's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Village, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The Village uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Village are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed on a separate column. A fund is considered major if it is the primary operating fund of the Village or its total assets, liabilities, revenues, or expenditures of the individual governmental and enterprise fund is at least 10 percent of the corresponding total for all governmental and enterprise funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Village reports the following major funds:

The General Fund is the primary operating fund of the Village. It accounts for all financial resources except those that are required to be accounted for in other funds.

The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. This fund accounts for the receipt and use of proceeds of the Village's 2% sales and use tax.

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than these financed by the Enterprise Fund.

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Debt Service Fund is used to account for debt proceeds utilized for capital projects.

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

3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of each fiscal year, the Mayor submits a budget to the Village Alderman. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The Village Alderman holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be changed by an affirmative vote of a majority of the government's council.

Expenditures may not legally exceed budgeted appropriations at the activity level.

The budget was not amended during 2016.

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Cash and Cash Equivalents

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2016, the Village has \$923,091 in deposits (collected bank balances), of which \$250,000 is secured from risk by federal deposit insurance, and the balance of \$673,091 is secured by pledged securities held by the custodial bank in the name of the fiscal agent bank.

6. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, for the enterprise fund, the Village considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

7. Interfund Receivables/Payables

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

8. Accounts Receivable

Accounts receivable in the proprietary fund includes all amounts due from the customers of the Village's water and sewer systems. The Village provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. This amount is \$5,760 as of June 30, 2016.

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water and sewer user fees in the Enterprise Fund. The Village's ability to collect the amounts due from the users of the Village water and sewer system and others (as reflected on the financial

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

9. Use of Estimates

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

10. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. 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:

Buildings, plant and improvements	10-50 years
Furniture and equipment	3-10 years
Transportation equipment	5 - 7 years

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

11. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No liability/expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recognized for that portion of accumulating sick leave benefits that it is

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

estimated will be taken as "terminal leave" prior to retirement. At June 30, 2016 the Village's liability for compensated absences was \$0.

12. Long – Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds.

Long-term debt for governmental funds 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. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

13. Equity Classification

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

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

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, assigned and unassigned.

- a. Restricted fund balance – Includes fund balance amounts that are intended to be used for specific purposes based on generally outside actions.
- b. Assigned fund balance – Includes fund balance amounts that are intended to be used for specific purposes based on internal (village council) actions.

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- c. Unassigned fund balance – Includes positive fund balance within the general fund which has not been classified within the above mentioned categories.

Proprietary fund equity is classified the same as in the government-wide statements.

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, assigned or unassigned.

- a. Restricted fund balance – Includes fund balance amounts that are intended to be used for specific purposes which are externally imposed.
- b. Assigned fund balance – Includes fund balances that are intended to be used for specific purposes which are internally imposed.
- c. Unassigned fund balance – includes fund balance within the general fund which has not been classified within the above mentioned categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Village to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Village that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

14. Sales Taxes

Proceeds of a 2% sales and use tax levied by the Village of Fenton, LA. are dedicated for the maintenance and overlay of streets and capital outlay.

15. Revenues, Expenditures, and Expenses

Program Revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues.

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January and February of the fiscal year. Sales taxes are considered as "measurable" when in the hands of sales tax collector and are recognized as revenue at that time. Interest on interest-bearing

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures

The Village primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

Other Financing Sources

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) when the transfer is authorized by the Village.

16. Subsequent Events

Management has evaluated subsequent events through November 10, 2017, the date the financial statements were available to be issued.

17. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements, although not on every statement, in order to provide an understanding of changes in the government's financial position and operations.

NOTE B – PROPERTY TAXES

Taxes were levied on property as follows:

	<u>Millage</u>	<u>Assessed Valuations</u>
General corporate purposes	8.32	\$ 1,064,480

Property tax millage rates are adopted in July of the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by February 28th are subject to property lien.

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE C – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the Village of Fenton, LA:

	<u>Beginning of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Lease Obligations	\$ 10,052	\$ -	\$ (4,530)	\$ 5,522	\$ 5,222
Governmental Activities Long-Term Liabilities	10,052	-	(4,530)	5,522	5,222
Business Type Activities:					
Capital Lease Obligations	-	-	-	-	-
Total	<u>\$ 10,052</u>	<u>\$ -</u>	<u>\$ (4,530)</u>	<u>\$ 5,522</u>	<u>\$ 5,222</u>

The capital lease obligations liability will be paid by the General Fund and Enterprise Fund. General obligation bonds and capital lease obligations are comprised of the following individual issues:

Capital lease obligations:

\$26,718 capital lease dated May 1, 2012, due in monthly installments of \$503 through April 1, 2017, interest at 5.5%, collateral of a 2012 Chevrolet Police Tahoe \$ 5,522

The annual requirements to amortize all debt outstanding, including interest:

Year ending <u>June 30,</u> 2017	<u>\$ 5,522</u>
--	-----------------

The Village leases vehicles under capital leases. The economic substance of the lease is that the Village is financing the acquisition of the assets through the lease, and accordingly, it is recorded on the Village's assets and liabilities.

The following is an analysis of the leased assets included in property and equipment:

Governmental Activities:	
Transportation equipment	\$ 26,718
Less accumulated depreciation	<u>22,265</u>
	<u>\$ 4,453</u>

VILLAGE OF FENTON, LA.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE D – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	<u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>
Governmental activities:				
Land	\$ 35,065	\$ -	\$ -	\$ 35,065
Construction-in-progress	59,485	-	-	59,485
Buildings and improvements	1,210,106	-	-	1,210,106
Furniture and equipment	301,747	-	-	301,747
Transportation Equipment	<u>326,993</u>	-	-	<u>326,993</u>
Totals at historical cost	1,933,396	-	-	1,933,396
Less accumulated depreciation for:				
Buildings and improvements	308,888	53,085	-	361,973
Furniture and Equipment	187,155	26,638	-	213,793
Transportation Equipment	<u>213,620</u>	<u>42,266</u>	-	<u>255,886</u>
Total accumulated depreciation	<u>709,663</u>	<u>121,989</u>	-	<u>831,652</u>
Governmental activities capital assets, Net	<u>\$ 1,223,733</u>	<u>\$ 121,989</u>	<u>\$ -</u>	<u>\$ 1,101,744</u>
Business Type Activities:				
Land	\$ 14,790	\$ -	\$ -	\$ 14,790
Buildings and plant	1,399,552	-	-	1,399,552
Transportation equipment	28,630	-	-	28,630
Furniture and equipment	<u>249</u>	-	-	<u>249</u>
Totals at historical cost	1,443,221	-	-	1,443,221
Less accumulated depreciation for:				
Buildings and plant	628,236	30,141	-	658,377
Transportation equipment	22,904	5,726	-	28,630
Furniture and equipment	<u>249</u>	-	-	<u>249</u>
Total accumulated depreciation	<u>651,389</u>	<u>35,867</u>	-	<u>687,256</u>
Business-type activities capital assets, net	<u>\$ 791,832</u>	<u>\$ 35,867</u>	<u>\$ -</u>	<u>\$ 755,965</u>
Depreciation expense was charged to governmental activities as follows:				
General and administrative				\$ 84,982
Police				<u>37,007</u>
Total				<u>\$ 121,989</u>

Construction in progress of \$59,485 at June 30, 2016 represents costs to date of Village Hall addition. Remaining costs to complete is approximately \$30,000 and completion date is expected by August 31, 2016.

VILLAGE OF FENTON, LA.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE E – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE F – CONTINGENCIES

The Village participates in a number of federal and state grant programs that are either partially or fully funded by grants received from other governmental units. Such grants are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the Village believes that any disallowed costs as a result of such audits will be immaterial.

NOTE G – PER DIEM

Each council member receives monthly compensation. The following is a list of council members and their compensation for the fiscal year ended June 30, 2016.

L. Dickenson	\$ 3,600
C. Leday	3,600
M. Jones	<u>3,600</u>
	<u>\$ 10,800</u>

NOTE H – AGING OF ACCOUNTS RECEIVABLE

Aging of Accounts Receivable – proprietary fund as of June 30, 2016 are as follows:

0-30 <u>Days</u>	31-60 <u>Days</u>	61-90 <u>Days</u>	over 90 <u>Days</u>	<u>Total</u>
\$ 12,062	\$ -	\$ -	\$ -	\$ 12,062

VILLAGE OF FENTON, LA.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE I – SCHEDULE OF INSURANCE COVERAGE

The schedule of insurance coverage as of June 30, 2016 is as follows:

	<u>Limits</u>	<u>Expiration Date</u>
Automobile liability	\$500,000 bodily injury and physical damage	March 19, 2017
Commercial general liability: Premises/Operations	\$500,000 per occurrence-bodily injury and physical damage	March 19, 2017
Products/Completed operation	\$500,000 in the aggregate-bodily injury and physical damage	March 19, 2017
Medical payments	\$1,000 per person \$10,000 per accident	March 19, 2017
Fire legal liability	\$50,000 per occurrence	March 19, 2017
Commercial property	\$150,000 building \$20,000 contents	July 15, 2016
Surety bond	\$10,000	May 19, 2017
Workers compensation	\$100,000/\$500,000/\$100,000	September 24, 2016

VILLAGE OF FENTON, LA.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE J- SCHEDULE OF RATES AND NUMBER OF CUSTOMERS

At June 30, 2016, the number of customers were as follows:

Residential - 168
 Commercial - 3

The schedule of rates for the proprietary fund is as follows:

Sewer:

Residential:	
-In-town	\$12.50, first 2,000 gallons 2.00 per 1,000 gallons thereafter, up to 10,000 gallons 1.00 per 1,000 gallons after 10,000 gallons
-Out-of-town	\$15.00, first 2,000 gallons 2.00 per 1,000 gallons thereafter, up to 10,000 gallons 1.00 per 1,000 gallons after 10,000 gallons
Commercial:	\$15.00, first 2,000 gallons 2.00 per 1,000 gallons thereafter, up to 10,000 gallons 1.00 per 1,000 gallons after 10,000 gallons

Water:

Residential:	
-In-town	\$12.50 first 2,000 gallons 5.00 per 1,000 gallons thereafter
-Out-of-town	\$15.00 first 2,000 gallons 5.50 per 1,000 gallons thereafter
Commercial:	
-In-town	\$18.00 first 2,000 gallons 6.00 per 1,000 gallons thereafter
-Out-of-town	\$20.00 first 2,000 gallons 6.00 per 1,000 gallons thereafter

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF FENTON, LA.
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 AND SPECIAL REVENUE FUND
 Year Ended June 30, 2016

	General Fund			
	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 45,750	\$ 45,750	\$ 29,811	\$ (15,939)
Licenses and permits	2,000	2,000	1,000	(1,000)
Intergovernmental	30,000	30,000	1,150	(28,850)
Fines	765,000	765,000	1,031,861	266,861
Miscellaneous	2,500	2,500	198	(2,302)
Interest	-	-	23,002	23,002
Total revenues	<u>845,250</u>	<u>845,250</u>	<u>1,087,022</u>	<u>241,772</u>
Expenditures:				
Current:				
General government	293,279	293,279	357,484	(64,205)
Public safety	331,830	331,830	296,434	35,396
Capital outlay	80,000	80,000	-	80,000
Debt service				
Principal	-	-	4,530	(4,530)
Interest	-	-	-	-
Total expenditures	<u>705,109</u>	<u>705,109</u>	<u>658,448</u>	<u>46,661</u>
Excess (deficiency) of revenues over Expenditures	140,141	140,141	428,574	288,433
Other financing sources (uses):				
Proceeds from borrowing	-	-	-	-
Operating transfers in	25,000	25,000	-	(25,000)
Operating transfers out	-	-	(46,199)	(46,199)
Total other financing sources (uses):	<u>25,000</u>	<u>25,000</u>	<u>(46,199)</u>	<u>(71,199)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	165,141	165,141	382,375	217,234
Fund balance at beginning of year	<u>749,999</u>	<u>749,999</u>	<u>749,999</u>	<u>-</u>
Fund balance at end of year	<u>\$ 915,140</u>	<u>\$ 915,140</u>	<u>\$ 1,132,374</u>	<u>\$ 217,234</u>

Special Revenue Fund

Budget		Actual	Variance Favorable (Unfavorable)
Original	Final		
\$ 33,000	\$ 33,000	\$ 32,930	\$ (70)
-	-	-	-
-	-	53,841	53,841
-	-	-	-
-	-	194	194
-	-	12	12
<u>33,000</u>	<u>33,000</u>	<u>86,977</u>	<u>53,977</u>
300	300	114,407	(114,107)
-	-	-	-
20,000	20,000	-	20,000
-	-	-	-
<u>20,300</u>	<u>20,300</u>	<u>114,407</u>	<u>(94,107)</u>
12,700	12,700	(27,430)	(40,130)
-	-	-	-
-	-	19,513	19,513
-	-	-	-
<u>-</u>	<u>-</u>	<u>19,513</u>	<u>19,513</u>
12,700	12,700	(7,917)	(20,617)
<u>93,200</u>	<u>93,200</u>	<u>93,200</u>	<u>-</u>
<u>\$ 105,900</u>	<u>\$ 105,900</u>	<u>\$ 85,283</u>	<u>\$ (20,617)</u>

OTHER INFORMATION

VILLAGE OF FENTON, LA.
 Schedule of Compensation, Benefits and Other Payments
 To Chief Executive Officer
 Year Ended June 30, 2016

Chief Executive Officer: Eddie Alfred Jr., Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 30,000
Benefits-insurance	7,132
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing Unvouchered expenses	-
Special meals	-



Gragson, Casiday & Guillory, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
GRAHAM A. PORTUS, E.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BARLOW, C.P.A.
BRIAN MCCAIN, C.P.A.

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

November 10, 2017

To the Honorable Eddie Alfred, Jr., Mayor and the Village Council
Village of Fenton, Louisiana

We were engaged to 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, the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Fenton, LA, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village of Fenton, LA's basic financial statements and have issued our report thereon dated November 10, 2017. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence on which to base an opinion.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered Village of Fenton, LA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Fenton, LA's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Fenton, LA'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2016-002, 2016-004, 2016-005, 2016-006, 2016-008, 2016-009, 2016-010, 2016-012].

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 accompanying schedule of findings and responses to be significant deficiencies [2016-001, 2016-003, 2016-007, 2016-011, 2016-013, 2016-014].

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Compliance And Other Matters

In connection with our engagement to audit the financial statements of the Village of Fenton, LA, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings [2016-003, 2016-005, 2016-008, 2016-009, 2016-010, 2016-012, 2016-013, 2016-014]. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Village of Fenton, LA's Response to Findings

Village of Fenton, LA's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Village of Fenton, LA's responses were 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 intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.



VILLAGE OF FENTON, LA.
 SCHEDULE OF FINDINGS AND RESPONSES
 Year Ended June 30, 2016

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: disclaimer

Internal control over financial reporting:

- Material weaknesses(es) identified? X yes no
- Control deficiency(s) identified that are not considered to be material weakness(es)? X yes none reported
- Noncompliance material to financial statements noted? yes X no

II. Findings Relating To The Financial Statements Which Are Required To Be Reported In Accordance With Generally Accepted Governmental Auditing Standards

Finding 2016-001:

Inadequate Segregation of Duties

Condition: Because of the small size of the Village's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect: Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Corrective Action Planned: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review of bank reconciliations on a monthly basis.

Management Response: Management agrees with the finding. See corrective action planned.

Continued

VILLAGE OF FENTON, LA.
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

Finding 2016-002:

Bank Account Reconciliations not Prepared

- Condition:** Bank accounts reconciliations were not prepared monthly during the fiscal year. In discussions with accounting personnel, it was noted that this has not been performed currently either.
- Criteria:** Bank account reconciliations should be prepared monthly and reconciled to balances on the general ledger.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** Without timely bank reconciliations, errors or misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions
- Recommendations:** Bank reconciliations should be performed monthly, approved by management and reconciled to general ledger balances.
- Management Response:** Management agrees with the finding. Bank account reconciliations will be prepared monthly along with review and approval by management and council.

Finding 2016-003:

Documentation of Council Minutes not Maintained

- Condition:** Documentation could not be provided reflecting council meetings for October 2015 through March 2016.
- Criteria:** Documentation of approved and signed council meetings minutes should be prepared and maintained.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** Without documentation of signed council meeting minutes, approved transactions could lack proper authorizations.
- Recommendations:** Every council meeting should have documented/approved minutes.
- Management Response:** Management agrees with the finding. This was an isolated instance. The current clerk is preparing and maintaining approved council minutes.

Continued

VILLAGE OF FENTON, LA.
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

Finding 2016-004:

Supporting Documentation of Disbursements were Missing

- Condition:** We requested supporting documentation (invoices) on 59 disbursements/transactions and we were provided with supporting documentation on only 30 disbursements/transactions.
- Criteria:** Every disbursement/transaction should have supporting documentation to reflect purpose and approval.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** Without adequate supporting documentation, errors or misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
- Recommendations:** Every disbursement/transaction should have supporting documentation to reflect purpose and approval.
- Management Response:** Management agrees with the finding. Steps have been taken to ensure retention of supporting documentation on all disbursements/transactions.

Finding 2016-005:

Possible Violation of Article 7 Section 14

- Condition:** On March 9, 2016 an ACH withdrawal of \$2,250 was made without any documentation of purpose nor approval. It appears that the ACH went to a prepaid debit card and was made by the clerk employed at the time.
- Criteria:** ACH withdrawals should contain documentation of purpose and approval.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** Without any documentation of purpose or approval, a violation of Article 7 Section 14 may have occurred.
- Recommendations:** ACH withdrawals should contain documentation of purpose and approval.
- Management Response:** Management agrees with the finding. This withdrawal is currently under investigation and steps have been taken to recover the funds. In addition, controls have strengthened to require approvals on all ACH withdrawals.

Continued

VILLAGE OF FENTON, LA.
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

Finding 2016-006:

Payroll Subsidiary Ledger Data was Inaccurate

- Condition:** Three actual payroll dates were not entered into the payroll subsidiary ledger (January 15, 2016; March 1, 2016; March 15, 2016). In addition, a payroll date of March 28, 2016 was entered into the subsidiary ledger, however, a payroll date did not exist.
- Criteria:** Accurate payroll date should be entered into the payroll subsidiary ledger.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** Without accurate payroll data entry into the subsidiary ledger, errors or misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
- Recommendations:** Accurate payroll date should be entered into the subsidiary ledger and reviewed and approved by management.
- Management Response:** Management agrees with the finding. Steps have been taken to ensure correct and complete payroll data is entered into the subsidiary ledger.

Finding 2016-007:

Payroll Subsidiary Ledger was not Reconciled to the General Ledger

- Condition:** Monthly payroll subsidiary ledgers were not reconciled to the general ledger to prove accuracy and completeness.
- Criteria:** Monthly payroll subsidiary ledgers should be reconciled to the general ledger to prove accuracy and completeness.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** Without monthly reconciliations, errors or misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
- Recommendations:** Monthly payroll subsidiary ledgers should be reconciled to the general ledger to prove accuracy and completeness.
- Management Response:** Management agrees with the finding. Reconciliations of the subsidiary ledger will be performed monthly to the general ledger.

Continued

VILLAGE OF FENTON, LA.
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

Finding 2016-008:

Excess Pay to the Mayor

- Condition:** The Mayor received extra pay of \$7,500 during the period April through June 2016. During these three months, the Mayor received double pay checks. In addition, these double pay checks continued for the period July through September 2016 before these payments ceased for an additional \$7,500 in excess pay.
- Criteria:** A violation of Article 7 Section 14 may have occurred.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** A total of \$15,000 was paid in excess of the legal amount due the Mayor in payroll. Repayment will be made by the Mayor beginning November 2017 at \$1,000 a month until paid in full.
- Recommendations:** Internal controls should be strengthened to detect errors and inadequate payroll payments.
- Management Response:** Management agrees with the finding. The mayor will repay the funds as stated above.

Finding 2016-009:

Possible Extra pay to Clerks

- Condition:** It appears that a clerk that left employment on January 5, 2016 may have received two payroll checks in January 2016 after leaving employment. The termination date was ascertained based on notes because the employee file could not be located to confirm termination date. The total paid in excess was \$2,563.72.
- In addition the subsequent clerk to the one above also appears to have received extra pay during employment. The clerk received extra payroll checks in March and April 2016 totaling \$1,775.15. Again, the employee file could not be located for this clerk.
- Criteria:** A violation of Article 7 Section 14 may have occurred.
- Cause:** Inadequate internal controls and inadequate supervision.
- Effect:** It appears that inappropriate payroll checks were made to the two clerks.
- Recommendations:** Internal controls should be strengthened to detect errors and inadequate payroll payments. In addition, if found to be correct, the Village should seek reimbursements.

Continued

VILLAGE OF FENTON, LA.
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

Management Response: Management agrees with the finding. The Village will investigate the actual termination dates for the two clerks and seek reimbursement if applicable. In addition, controls will be added to ensure the retention of employee files and proper termination payments.

Finding 2016-10:

Extra Pay to a Council Member

Condition: It appears that a council member received two paychecks for each month of March, April and May 2016. These excess payments were repaid in July, August and September 2016.

Criteria: A violation of Article 7 Section 14 may have occurred.

Cause: Inadequate internal controls and inadequate supervision.

Effect: Inappropriate payroll checks were made to council members.

Recommendations: Internal controls should be strengthened to detect errors and inadequate payroll payments.

Management Response: Management agrees with the finding. Controls have been strengthened to ensure accurate payroll disbursements.

Finding 2016-011:

Additional Training for Current Clerk

Condition: The current clerk should take additional training on accounting programs and applicable controls to improve knowledge, efficiency and experience with the Village's accounting software programs.

Criteria: Training will improve the efficiency and the knowledge of the clerk.

Cause: The additional training is recommended based on the number and extent of findings in this year's report.

Effect: Without additional training, errors or misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendations: The additional training is recommended based on the number and extent of findings in this year's report.

Management Response: Management agrees with the finding. The clerk has started additional training in accounting programs and in applicable internal controls.

Continued

VILLAGE OF FENTON, LA.
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

Finding 2016-012:

Investigation of Police Department's use of TED Program Funds

- Condition:** The Legislative Auditor is investigating the Village's use and payment of TED program funds within the police department. As of this date, a report has not been issued.
- Criteria:** The Village should be accurately paying TED program salaries to policemen with proper documentation of time worked.
- Cause:** Not known as this time.
- Effect:** Without proper documentation of hours worked, errors or misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
- Recommendations:** The Village should monitor the ongoing investigation and institute any corrective actions recommended.
- Management Response:** Management agrees with the finding. Management will review the final report issued by the Legislative Auditor and will implement any recommendations.

Finding 2016-013:

Late Submission of Financial Statements

- Condition:** The Village's June 30, 2016 financial statements were not timely submitted to the Legislative Auditor. The due date was December 31, 2016.
- Criteria:** The Village's June 30, 2016 financial statements are required to be submitted to the Legislative Auditor within six months of the year end.
- Cause:** The financial information was not complete and accurate at the due date. This included bank statements not being reconciled, transactions not being entered into the general ledger, payroll subsidiary ledger not complete and reconciled to the general ledger, and supporting documentation not present.
- Effect:** The Village's June 30, 2016 financial statements were not timely submitted to the Legislative Auditor. The due date was December 31, 2016.

Continued

VILLAGE OF FENTON, LA.
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

Recommendations: Management should ensure that all accounting functions are completed timely and financial statements are submitted within the required time period.

Management Response: Management agrees with the finding. Steps have been taken to ensure future compliance.

Finding 2016-014:

Budget Amendment Violation

Condition: The general fund and special revenue fund expenditures were in excess of 5% of budget and an amended budget was not prepared.

Criteria: An amended budget is required when actual expenditures are in excess of 5% of the budget.

Cause: Inadequate internal controls and inadequate supervision.

Effect: Violation of the budget law.

Recommendations: Management should review budget to actual comparisons and amend the budget when legally required.

Management Response: Management agrees with the finding. Steps have been taken to ensure future compliance with the budget law.

III – Federal Award Findings and Questioned Costs

-N/A

IV – Prior Year Audit Findings

Finding 2015-01:

Inadequate Segregation of Duties

Condition: Because of the small size of the Village's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Status: Repeat finding in 2016.

Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: *VILLAGE OF FENTON, LA*

FISCAL YEAR END: *JUNE 30, 2016*

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	<i>UNAUTHORIZED ACH TRANSFER OF \$2,250.- FROM BANK ACCOUNT</i>
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	<i>CASH - \$2,250.-</i>
3	The amount of funds or approximate value of assets involved.	<i>\$2,250.-</i>
4	The department or office in which the fraud or misappropriation occurred.	<i>OFFICE CLERK</i>
5	The period of time over which the fraud or misappropriation occurred.	<i>MARCH 9, 2016</i>
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	<i>OFFICE CLERK</i>
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	<i>NO</i>
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	<i>N/A</i>
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	<i>YES</i>
11	What is the status of the investigation at the date of the auditor's/accountant's report?	<i>STILL UNDER INVESTIGATION</i>
12	If the investigation is complete and the person believed to have committed the act of fraud or	<i>N/A</i>

Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME:

FISCAL YEAR END:

	misappropriation has been identified, has the agency filed charges against that person?	
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	NOT FINALIZED
14	Has restitution been made or has an insurance claim been filed?	NO AND NO
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	YES
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	NO, APPROVAL NOT OBTAINED AS REQUIRED
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	APPROVAL NOT OBTAINED AND BANK RECONCILIATION NOT PERFORMED
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	ENSURE COMPLIANCE WITH NO #17 ABOVE