

**VILLAGE OF CONVERSE, LOUISIANA**

**ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2017**

Village of Converse, Louisiana  
Financial Report  
December 31, 2017

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Annual Financial Report  
December 31, 2017

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# Village of Converse, Louisiana

P. O. Box 40  
Converse, LA 71419

## MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Year Ended December 31, 2017

The Management's Discussion and Analysis of the Village of Converse's financial performance presents a narrative overview and analysis of the Village's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Village of Converse's financial statements, which begin on page 11.

### Government-Wide Financial Statements

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

### Fund Financial Statements

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

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

Summary of Statement of Net Position

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS:						
Current & Other Assets	\$ 164,777	\$ 188,960	\$ 353,737	\$ 112,691	\$ 237,186	\$ 349,877
Due from Other Funds	264,997	0	264,997	301,505	0	301,505
Capital Assets, Net of Accumulated Depreciation	<u>912,475</u>	<u>1,279,666</u>	<u>2,192,141</u>	<u>771,238</u>	<u>1,350,423</u>	<u>2,121,661</u>
Total Assets	<u>\$1,342,249</u>	<u>\$1,468,626</u>	<u>\$2,810,875</u>	<u>\$1,185,434</u>	<u>\$1,587,609</u>	<u>\$2,773,043</u>
LIABILITIES:						
Accounts Payable/Accruals	\$ 6,964	\$ 4,770	\$ 11,734	\$ 6,333	\$ 3,710	\$ 10,043
Due to Other Funds	0	264,997	264,997	0	301,505	301,505
Long-Term Debt	9,441	0	9,441	15,576	0	15,576
Customer Deposits	<u>0</u>	<u>9,480</u>	<u>9,480</u>	<u>0</u>	<u>10,755</u>	<u>10,755</u>
Total Liabilities	<u>\$ 16,405</u>	<u>\$ 279,247</u>	<u>\$ 295,652</u>	<u>\$ 21,909</u>	<u>\$ 315,970</u>	<u>\$ 337,879</u>
NET POSITION:						
Net Investment in Capital Assets	\$ 912,475	\$1,279,666	\$2,192,141	\$ 786,814	\$1,350,423	\$2,137,237
Unrestricted	<u>413,369</u>	<u>(90,287)</u>	<u>323,082</u>	<u>376,711</u>	<u>(78,784)</u>	<u>297,927</u>
Total Net Position	<u>\$1,325,844</u>	<u>\$1,189,379</u>	<u>\$2,515,223</u>	<u>\$1,163,525</u>	<u>\$1,271,639</u>	<u>\$2,435,164</u>

## Summary of Statement of Activities

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUES:						
General Revenues:						
Taxes-						
Ad Valorem	\$ 17,976	\$ 0	\$ 17,976	\$ 18,924	\$ 0	\$ 18,924
Licenses & Permits	46,640	0	46,640	42,693	0	42,693
Sales Tax	50,525	0	50,525	45,650	0	45,650
Fines	75,015	0	75,015	40,930	0	40,930
Royalty	3,174	0	3,174	3,488	0	3,488
Charges for Services	0	94,264	94,264	0	99,653	99,653
Interest Income	118	249	367	165	209	374
Capital Grants and Contributions	183,842	0	183,842	0	0	0
Miscellaneous	<u>9,528</u>	<u>22,504</u>	<u>32,032</u>	<u>5,570</u>	<u>6,466</u>	<u>12,036</u>
Total Revenues	\$ <u>386,818</u>	\$ <u>117,017</u>	\$ <u>503,835</u>	\$ <u>157,420</u>	\$ <u>106,328</u>	\$ <u>263,748</u>
EXPENDITURES:						
General Government	\$ 101,270	\$ 0	\$ 101,270	\$ 107,491	\$ 0	\$ 107,491
Public Safety	87,844	0	87,844	102,940	0	102,940
Highways & Streets	34,510	0	34,510	28,684	0	28,684
Debt Service	875	0	875	3,506	0	3,506
Operating Expense	<u>0</u>	<u>199,277</u>	<u>199,277</u>	<u>0</u>	<u>192,389</u>	<u>192,389</u>
Total Expenditures	\$ <u>224,499</u>	\$ <u>199,277</u>	\$ <u>423,776</u>	\$ <u>242,621</u>	\$ <u>192,389</u>	\$ <u>435,010</u>
Excess (Deficiency) of Revenues over Expenditures	\$ <u>162,319</u>	\$ <u>(82,260)</u>	\$ <u>80,059</u>	\$ <u>(85,201)</u>	\$ <u>(86,061)</u>	\$ <u>(171,262)</u>
OTHER FINANCING SOURCES:						
Proceeds of Debt	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>18,491</u>	\$ <u>0</u>	\$ <u>18,491</u>
Excess (Deficiency) of Revenues and Other Financing Sources(Uses) over Expenditures	\$ 162,319	\$ (82,260)	\$ 80,059	\$ (66,710)	\$ (86,061)	\$ (152,771)
Net Position-Beginning of Year	<u>1,163,525</u>	<u>1,271,639</u>	<u>2,435,164</u>	<u>1,230,235</u>	<u>1,357,700</u>	<u>2,587,935</u>
Net Position-End of Year	\$ <u>1,325,844</u>	\$ <u>1,189,379</u>	\$ <u>2,515,223</u>	\$ <u>1,163,525</u>	\$ <u>1,271,639</u>	\$ <u>2,435,164</u>

## FINANCIAL HIGHLIGHTS

Governmental Activities

1. Village of Converse had cash of \$140,814 at December 31, 2017, which represents an increase of \$57,251 from prior year end.
2. Village of Converse had receivables of \$18,652 at December 31, 2017, which represents a decrease of \$5,165 from prior year end.
3. Village of Converse had accounts payable and accruals of \$6,964 at December 31, 2017, which represents an increase of \$631 from the prior year end.
4. Village of Converse had total revenues of \$386,818 for the year ended December 31, 2017, which represents an increase of \$210,907 from prior year.
5. Village of Converse had total expenses of \$224,499 for the year ended December 31, 2017, which represents a decrease of \$18,122 from prior year.
6. Village of Converse acquired capital assets in the amount of \$183,412 for the year ended December 31, 2017.

Business-Type Activities

1. Village of Converse had cash of \$175,956 for the year ended December 31, 2017, which represents a decrease of \$50,066 from prior year.
2. Village of Converse had accounts receivable of \$9,583 for the year ended December 31, 2017, which represents an increase of \$573 from prior year.
3. Village of Converse had accounts payable and accruals of \$4,770 for the year ended December 31, 2017, which represents an increase of \$1,060 from prior year.
4. Village of Converse had total revenues of \$117,017 for the year ended December 31, 2017, which represents an increase of \$10,689 from prior year.
5. Village of Converse had total expenses of \$199,277 for the year ended December 31, 2017, which represents an increase of \$6,888 from prior year.
6. Village of Converse had capital asset improvements of \$4,600 for the year ended December 31, 2017.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, Village of Converse had \$912,475, and \$1,279,666 net of depreciation in Governmental Activities and Business-Type Activities, respectively, invested in a broad range of capital assets (See table below).

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 1,600	\$ 10,000
Buildings and other improvements	425,897	0
Distribution system	0	1,208,352
Streets	470,211	0
Equipment, furniture and fixtures	<u>14,767</u>	<u>61,314</u>
Total	<u>\$912,475</u>	<u>\$1,279,666</u>

## VARIATIONS BETWEEN FINAL BUDGET AND ACTUAL

Actual revenues were \$51,999 more than budgeted amounts.

Actual expenditures were \$7,148 less than budgeted amounts.

There was one budget amendment for the year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village of Converse's elected officials considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

1. Taxes
2. Intergovernmental revenues (state and local grants)
3. License and permits
4. Fines

Village of Converse does not expect any significant changes in next year's results as compared to the current year, unless grant monies are received for the purchase/improvement of capital assets.

## CONTACTING VILLAGE OF CONVERSE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village of Converse's finances and to show the Village of Converse's accountability for the money it receives. If you have questions about this report or need additional information, contact Troy Terrell, Mayor of the Village of Converse, Post Office Box 40, Converse, Louisiana 71419, (318) 567-3312.

# Johnson, Thomas & Cunningham

## Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation  
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### INDEPENDENT AUDITOR'S REPORT

To the Mayor and Aldermen of the  
Village of Converse, Louisiana

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major funds of the Village of Converse ("Village") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the Table of Contents.

#### Management's Responsibility for the Financial Statements

The management of the Village 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 the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the major funds of the Village of Converse, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is presented for purposes of additional analysis and is required by the Governmental Accounting Standards Board, or Louisiana State Law, 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the introductory section because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Converse. The budgetary comparison listed as required supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, reflected on page 36, to supplement the financial statements. The budgetary comparison schedule and schedule of compensation, benefits and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018, on our consideration of the Village of Converse's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Converse's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 1, 2018, on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

*Johnson, Thomas & Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

June 1, 2018  
Natchitoches, LA 71457

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

Village of Converse, Louisiana  
Statement of Net Position  
December 31, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS:			
Current Assets-			
Cash	\$ 140,814	\$ 166,476	\$ 307,290
Accounts & Taxes Receivable	18,652	9,583	28,235
Due from Other Funds	264,997	0	264,997
Prepaid Expenses	<u>5,311</u>	<u>3,421</u>	<u>8,732</u>
Total Current Assets	<u>\$ 429,774</u>	<u>\$ 179,480</u>	<u>\$ 609,254</u>
Noncurrent Assets-			
Restricted Cash – Customer Deposits	\$ 0	\$ 9,480	\$ 9,480
Capital Assets, Net	<u>912,475</u>	<u>1,279,666</u>	<u>2,192,141</u>
Total Noncurrent Assets	<u>\$ 912,475</u>	<u>\$ 1,289,146</u>	<u>\$ 2,201,621</u>
Total Assets	<u>\$ 1,342,249</u>	<u>\$ 1,468,626</u>	<u>\$ 2,810,875</u>
LIABILITIES:			
Current Liabilities-			
Accounts Payable/Accruals	\$ 6,964	\$ 4,770	\$ 11,734
Current Portion of Long-Term Debt	6,569	0	6,569
Due to Other Funds	<u>0</u>	<u>264,997</u>	<u>264,997</u>
Total Current Liabilities	<u>\$ 13,533</u>	<u>\$ 269,767</u>	<u>\$ 283,300</u>
Noncurrent Liabilities-			
Customer Deposits	\$ 0	\$ 9,480	\$ 9,480
Long-Term Debt	<u>2,872</u>	<u>0</u>	<u>2,872</u>
Total Long-Term Debt	\$ 2,872	\$ 9,480	\$ 12,352
Total Liabilities	<u>\$ 16,405</u>	<u>\$ 279,247</u>	<u>\$ 295,652</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 912,475	\$ 1,279,666	\$ 2,192,141
Unrestricted	<u>413,369</u>	<u>(90,287)</u>	<u>323,082</u>
Total Net Position	<u>\$ 1,325,844</u>	<u>\$ 1,189,379</u>	<u>\$ 2,515,223</u>

See accompanying notes to financial statement.

Village of Converse, Louisiana  
Statement of Activities  
December 31, 2017

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Capital Grant and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:						
General Government	\$224,499	\$ 75,015	\$183,842	\$ 34,358	\$ 0	\$ 34,358
Business-Type Activities:						
Utility Fund	\$199,277	\$ 94,264	\$ 0	\$ 0	\$ (105,013)	\$ (105,013)
Total Government	\$423,776	\$169,279	\$183,842	\$ 34,358	\$ (105,013)	\$ (70,655)
General Revenues:						
Taxes-						
Ad Valorem				\$ 17,976	\$ 0	\$ 17,976
Licenses & Permits				46,640	0	46,640
Sales				50,525	0	50,525
Royalty				3,174	0	3,174
Interest Income				118	249	367
Miscellaneous				9,528	22,504	32,032
Total General Revenues				\$ 127,961	\$ 22,753	\$ 150,714
Change in Net Position				\$ 162,319	\$ (82,260)	\$ 80,059
Net Position at Beginning of Year				1,163,525	1,271,639	2,435,164
Net Position at End of Year				\$1,325,844	\$1,189,379	\$2,515,223

See accompanying notes to financial statement.

## FUND FINANCIAL STATEMENTS

Village of Converse, Louisiana  
Balance Sheet-Governmental Fund  
December 31, 2017

	<u>General Fund</u>
ASSETS:	
Cash	\$140,814
Taxes Receivable	16,795
Other Receivables	1,857
Due from Other Funds	264,997
Prepaid Expenses	<u>5,311</u>
Total Assets	<u>\$429,774</u>
LIABILITIES:	
Accounts Payable/Accruals	\$ <u>6,964</u>
FUND BALANCE:	
Nonspendable-Prepaid Expenses	\$ 5,311
Unassigned	<u>417,499</u>
Total Fund Balance	<u>\$422,810</u>
Total Liabilities and Fund Balance	<u>\$429,774</u>

See accompanying notes to financial statement.

Village of Converse, Louisiana  
Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Position  
December 31, 2017

Total Fund Balance for the Governmental Fund \$ 422,810

Amounts reported for Governmental Activities  
in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not  
current financial resources and, therefore, are not reported  
in the Governmental Fund Balance Sheet-

Capital Assets	1,278,655
Less, Accumulated Depreciation	(366,180)

Long-term Liabilities are not due and payable in the  
current period and, therefore, are not reported in the  
Governmental Funds Balance Sheet-

Long-term Debt	<u>(9,441)</u>
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Total Net Position of Governmental Activities \$1,325,844

See accompanying notes to financial statement.

Village of Converse, Louisiana  
Statement of Revenues, Expenditures and Change in Fund Balance-  
Governmental Fund  
Year Ended December 31, 2017

	<u>General Fund</u>
Revenues:	
Taxes-	
Ad Valorem	\$ 17,976
Licenses & Permits	46,640
Sales Tax	50,525
Fines & Forfeits	75,015
Grant Income	181,499
Miscellaneous-	
Royalty	3,174
Miscellaneous	<u>11,989</u>
Total Revenues	<u>\$386,818</u>
Expenditures:	
Current-	
General Government	\$ 59,094
Public Safety	87,844
Streets	34,510
Debt Service	7,011
Capital Expenditures	<u>183,412</u>
Total Expenditures	<u>\$371,871</u>
Excess of Revenues over Expenditures	\$ 14,947
Fund Balance-Beginning of Year	<u>407,863</u>
Fund Balance-End of Year	<u>\$422,810</u>

See accompanying notes to financial statement.

Village of Converse, 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 December 31, 2017

Net Change in Fund Balance-Governmental Fund	\$ 14,947
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Depreciation expense on Capital Assets is reported in the Government-wide Financial Statements, but does not require the use of current financial resources and is not reported in the Fund Financial Statements. Current year depreciation expense is	(42,175)
Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This cost of capital assets recorded in the current period is	183,412
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These timing differences are summarized below:	
General Obligation Debt Payments	<u>6,135</u>
Total Change in Net Position	<u>\$162,319</u>

See accompanying notes to financial statement.

Village of Converse, Louisiana  
Statement of Net Position  
Proprietary Fund-Utility Fund  
Year Ended December 31, 2017

ASSETS:

Current Assets-

Cash	\$ 166,476
Accounts Receivable	9,583
Prepaid Expenses	<u>3,421</u>
Total Current Assets	<u>\$ 179,480</u>

Noncurrent Assets-

Restricted Cash - Deposits	\$ 9,480
Capital Assets, Net	<u>1,279,666</u>
Total Noncurrent Assets	<u>\$1,289,146</u>

Total Assets \$1,468,626

LIABILITIES:

Current Liabilities-

Accounts Payable/Accruals	\$ 4,770
Due to Other Funds	<u>264,997</u>
Total Current Liabilities	<u>\$ 269,767</u>

Noncurrent Liabilities -

Customers' Deposits	<u>\$ 9,480</u>
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Total Liabilities \$ 279,247

NET POSITION:

Net Investment in Capital Assets	\$1,279,666
Unrestricted	<u>(90,287)</u>

Total Net Position \$1,189,379

See accompanying notes to financial statement.

Village of Converse, Louisiana  
Statement of Revenues, Expenses and Change in Net Position  
Proprietary Fund-Utility Fund  
Year Ended December 31, 2017

OPERATING REVENUES:	
Charges for Services	\$ 93,340
Miscellaneous	<u>23,428</u>
Total Operating Revenues	\$ <u>116,768</u>
OPERATING EXPENSES:	
Personnel Services	\$ 64,996
Utilities	14,836
Repair & Maintenance	11,261
Other Supplies & Expenses	32,827
Depreciation	<u>75,357</u>
Total Operating Expenses	\$ <u>199,277</u>
Loss from Operations	\$ <u>(82,509)</u>
NON-OPERATING REVENUES:	
Interest	\$ <u>249</u>
Total Non-Operating Revenues	\$ <u>249</u>
Change in Net Position	\$ (82,260)
Net Position-Beginning of Year	<u>1,271,639</u>
Net Position-End of Year	<u>\$1,189,379</u>

See accompanying notes to financial statement.

Village of Converse, Louisiana  
Statement of Cash Flows  
Proprietary Fund-Utility Fund  
Year Ended December 31, 2017

Cash Flows from Operating Activities:	
Cash Receipts from Customers	\$ 114,928
Cash Refunds of Customer Deposits	(1,275)
Cash Payments to Suppliers and Employees	<u>(159,368)</u>
Net Cash Used by Operating Activities	\$ <u>(45,715)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	\$ <u>(4,600)</u>
Cash Flows from Investing Activities:	
Interest Income	\$ <u>249</u>
Net Decrease in Cash and Cash Equivalents	\$ (50,066)
Cash and Cash Equivalents-Beginning of Year	<u>226,022</u>
Cash and Cash Equivalents-End of Year	\$ <u>175,956</u>
Reconciliation of Income from Operations to Net Cash Provided (Used) by Operating Activities:	
Operating Loss	\$ (82,509)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	75,357
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	(573)
(Increase) Decrease in Prepaid Expenses	(1,267)
Increase (Decrease) in Accounts Payable	1,060
Increase (Decrease) in Customer Deposits	(1,275)
Increase (Decrease) in Due to Other Funds	<u>(36,508)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(45,715)</u>
Reconciliation of Total Cash and Cash Equivalents:	
Current Assets – Cash	\$166,476
Restricted Assets - Cash	<u>9,480</u>
Total Cash and Cash Equivalents	\$ <u>175,956</u>

See accompanying notes to financial statement.

## NOTES TO FINANCIAL STATEMENTS

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

**Introduction:**

The Village of Converse, Louisiana, is incorporated under the Lawrason Act with a Mayor-Board of Aldermen form of government. The executive branch of government is headed by the Mayor and the legislative branch consists of three Aldermen.

This report includes all funds which are controlled by or dependent on the Village of Converse, Louisiana's executive and legislative branches (the Mayor and Aldermen). Control by or dependence on the Village of Converse, Louisiana was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of government body, and other general oversight responsibility.

The Village's operations include police protection, streets, and general and administrative services. In addition, the Village operates a Utility System which provides water and sewer services.

**1. Summary of Significant Accounting Policies:**

**A. REPORTING ENTITY-**

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

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

**B. BASIS OF PRESENTATION-**

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

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

**C. FUND ACCOUNTING-**

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

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

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

The Village reports both its general fund and enterprise fund as major funds.

The funds of the Village are described below:

**Governmental Fund-**

**General Fund**

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

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

Proprietary Fund-

Enterprise Fund

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-**

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

Accrual Basis - Government-Wide Financial Statements (GWFS)

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

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues "available" if collected within 60 days after year-end. Expenditures are generally recorded under the

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

**E. CASH AND INTEREST-BEARING DEPOSITS-**

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

**F. CAPITAL ASSETS-**

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

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

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Buildings and improvements	40 years
Equipment and vehicles	5-10 years
Utility system and improvements	40 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.

**G. RESTRICTED ASSETS-**

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to its use. The restricted assets are related to customer deposits.

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

#### H. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS-

There is no formal leave policy for the Village, therefore no entry is made to record compensated absences. In addition, the Village does not provide employee benefits beyond employment.

#### I. EQUITY CLASSIFICATIONS-

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

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

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

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

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

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

- d. Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance - amounts that are available for any purpose. Only the General Fund would report positive amounts in unassigned fund balance.

The General Fund has an unassigned fund balance of \$417,499. If applicable, the Village would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

**J. EXPENDITURES/EXPENSES-**

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

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

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

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

**K. BUDGET AND BUDGETARY ACCOUNTING-**

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

**L. ESTIMATES-**

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

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

#### M. LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends upon 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 is reported as liabilities in the government-wide financial statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. In the fund financial statements, the face amount of the debt issued is reported as other financing sources. The Village's long-term debt consists of capital leases.

#### N. RECEIVABLES-

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

#### O. BAD DEBTS-

All accounts receivable are considered to be fully collectible.

#### P. SALES TAXES-

The Village collects sales and use tax with the net proceeds, after deducting costs of collection and administration, dedicated to construction, acquiring, extending, improving and/or maintaining drainage facilities, streets, street lighting facilities, bridges, sidewalks, waterworks, sewers and sewer disposal works, recreational facilities, public parks, public buildings and equipment, payment of salaries of municipal employees, maintaining and operating the municipal police department including the purchase of equipment thereof, or for anyone or more of said purposes, title to which improvements shall be in the public.

### 2. Ad Valorem Taxes

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

The Village bills and collects property taxes. The Village recognizes property tax revenues when levied.

#### Property Tax Calendar

Assessment date	January 1
Levy date	August 31
Tax bills mailed	October 15
Total taxes are due	December 31
Penalties and interest added	January 31
Lien date	January 31

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

For the year ended December 31, 2017, taxes of 13.51 mills were levied on property and were dedicated as follows:

General Corporate Purposes	5.67 mills
Street Fund	7.84 mills

Total taxes collected were \$17,976 after small adjustments were made to the original tax roll.

**3. Cash and Cash Equivalents:**

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

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

At December 31, 2017, the Village had \$319,681 in deposits (collected bank balances). The deposits are stated at cost which approximates market. These deposits are secured from risk as follows:

Demand Deposits	\$ 305,482
Time Deposits	14,199
FDIC Insurance	(250,000)
Pledged Securities	<u>(69,681)</u>
Uninsured	<u>\$ 0</u>

**4. Accounts Receivable:**

The following is a summary of accounts receivable December 31, 2017:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Taxes-			
Ad Valorem	\$ 3,749	\$ 0	\$ 3,749
Franchise	7,457	0	7,457
Sales	5,589	0	5,589
Royalty	206	0	206
Other	1,651	0	1,651
Charges for services	<u>0</u>	<u>9,583</u>	<u>9,583</u>
Total	<u>\$18,652</u>	<u>\$9,583</u>	<u>\$28,235</u>

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

**5. Capital Assets:**

A summary of Village of Converse's capital assets at December 31, 2017, follows:

Governmental <u>Activities</u>	Balance <u>01-01-17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-17</u>
Capital Assets, Not Being Depreciated- Land	\$ <u>1,600</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,600</u>
Capital Assets, Being Depreciated-				
Buildings & Other Improvements	\$ 660,532	\$ 0	\$ 0	\$ 660,532
Furniture & Equipment	86,957	1,913	0	88,870
Streets & Improvements	<u>346,154</u>	<u>181,499</u>	<u>0</u>	<u>527,653</u>
Total Assets being Depreciated	<u>\$1,093,643</u>	<u>\$183,412</u>	<u>\$0</u>	<u>\$1,277,055</u>
Less Accumulated Depreciation for:				
Buildings & Other Improvements	\$ 217,020	\$ 17,615	\$ 0	\$ 234,635
Furniture & Equipment	69,119	4,984	0	74,103
Streets	<u>37,866</u>	<u>19,576</u>	<u>0</u>	<u>57,442</u>
Total Accumulated Depreciation	<u>\$ 324,005</u>	<u>\$ 42,175</u>	<u>\$0</u>	<u>\$ 366,180</u>
Governmental Activities Total Capital Assets, Net	<u>\$ 771,238</u>	<u>\$141,237</u>	<u>\$0</u>	<u>\$ 912,475</u>

Depreciation expense of \$42,175 was charged to the general government function for governmental activities.

Business-Type <u>Activities</u>	Balance <u>01-01-17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-17</u>
Capital Assets, Not Being Depreciated- Land	\$ <u>10,000</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>10,000</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>
Capital Assets, Being Depreciated-				
Distribution System	\$2,137,988	\$ 0	\$ 0	\$2,137,988
Equipment, Furniture & Fixtures	<u>240,647</u>	<u>4,600</u>	<u>(4,850)</u>	<u>240,397</u>
Total Assets being Depreciated	<u>\$2,378,635</u>	<u>\$ 4,600</u>	<u>\$(4,850)</u>	<u>\$2,378,385</u>
Less Accumulated Depreciation for:				
Distribution System	\$ 877,698	\$ 51,938	\$ 0	\$ 929,636
Equipment, Furniture & Fixtures	<u>160,514</u>	<u>23,419</u>	<u>(4,850)</u>	<u>179,083</u>
Total Accumulated Depreciation	<u>\$1,038,212</u>	<u>\$ 75,357</u>	<u>\$ 0</u>	<u>\$1,108,719</u>
Business-Type Activities Total Capital Assets, Net	<u>\$1,350,423</u>	<u>\$(70,757)</u>	<u>\$ 0</u>	<u>\$1,279,666</u>

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

Depreciation expense of \$75,357 was charged to business-type activities as follows:

Water	\$30,693
Sewer	44,664
Total Depreciation	<u>\$75,357</u>

**6. Accounts Payable/Accruals:**

The following is a summary of accounts payable and accruals December 31, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Vendors	\$2,870	\$4,681	\$ 7,551
Sales Taxes	0	89	89
Accrued payroll taxes	<u>4,094</u>	<u>0</u>	<u>4,094</u>
	<u>\$6,964</u>	<u>\$4,770</u>	<u>\$11,734</u>

**7. Risk Management:**

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

**8. Related Parties:**

The Village had no identified related party transactions for the year ended December 31, 2017.

**9. Compensation Paid to the Mayor and Board of Aldermen:**

Troy H. Terrell – Mayor	\$6,000
Christina Ebarb	1,200
Rodney Rutherford	1,200
Travis Womack	<u>1,200</u>
Total	<u>\$9,600</u>

**10. Pension Plans:**

All employees of the Village of Converse, Louisiana are covered by the Social Security System. Employees contribute 6.2 percent of their total salary to the System, while the Village contributes 6.2 percent. For the year ended December 31, 2017, the Village contributed \$9,773. Any future deficit in this System will be financed by the United States Government.

Village of Converse, Louisiana  
Notes to Financial Statements  
December 31, 2017

**11. Long-Term Debt and Capitalized Leases**

The Village has one capital lease obligation for the acquisition of property for the Governmental Fund. The related fund provides debt service for the capital lease. Equipment acquired by the capital lease is included in capital assets. The related capital lease obligation is included in long-term liabilities.

The Governmental Fund leased a 2015 Dodge Charger in May of 2016 for \$19,075 at 6.84%. Lease payments are \$584 for 36 months.

The following is a summary of future minimum lease payments, together with the present value of the net minimum lease payments, as of December 31, 2017:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
12/31/2018	\$6,569	\$442	\$7,011
12/31/2019	<u>2,872</u>	<u>50</u>	<u>2,922</u>
Total	<u>\$9,441</u>	<u>\$492</u>	<u>\$9,933</u>

**12. Litigation and Claims:**

Management has advised that there is no litigation pending against the Village of Converse, Louisiana at December 31, 2017.

**13. Subsequent Events:**

Management has evaluated events through June 1, 2018, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED SUPPLEMENTAL INFORMATION

Village of Converse, Louisiana  
Major Fund-General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance-  
Budget (GAAP Basis) and Actual  
Year Ended December 31, 2017

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes-				
Ad Valorem	\$ 19,000	\$ 19,000	\$ 17,976	\$ (1,024)
Licenses & Permits	38,000	38,000	46,640	8,640
Sales Tax	51,000	51,000	50,525	(475)
Fines & Forfeits	35,000	35,000	75,015	40,015
Grant Income	0	182,819	181,499	(1,320)
Miscellaneous-				
Royalty	4,000	4,000	3,174	(826)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>11,989</u>	<u>6,989</u>
Total Revenues	<u>\$152,000</u>	<u>\$334,819</u>	<u>\$386,818</u>	<u>\$51,999</u>
EXPENDITURES:				
General Government	\$ 60,300	\$ 60,300	\$ 59,094	\$ 1,206
Public Safety	73,800	93,800	87,844	5,956
Streets	29,100	33,100	34,510	(1,410)
Debt Service	0	7,000	7,011	(11)
Capital Outlay	<u>0</u>	<u>184,819</u>	<u>183,412</u>	<u>1,407</u>
Total Expenditures	<u>\$163,200</u>	<u>\$379,019</u>	<u>\$371,871</u>	<u>\$ 7,148</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (11,200)	\$ (44,200)	\$ 14,947	\$59,147
Fund Balance at Beginning of Year	<u>407,863</u>	<u>407,863</u>	<u>407,863</u>	<u>0</u>
Fund Balance at End of Year	<u>\$396,663</u>	<u>\$363,663</u>	<u>\$422,810</u>	<u>\$59,147</u>

See accompanying notes and Independent Accountant's Review Report.

Village of Converse, Louisiana  
Schedule of Compensation, Benefits and Other Payments to  
Agency Head or Chief Executive Officer  
For the Year Ended December 31, 2017

Agency Head Name: Troy Terrell, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$6,000
Benefits-Insurance	0
Benefits-Retirement	0
Deferred Compensation	0
Benefits-Other (Social Security)	372
Car allowance	0
Vehicle provided by government	0
Cell phone	0
Dues	0
Vehicle rental	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$6,372</u>

See accompanying notes and independent auditor's report.

# Johnson, Thomas & Cunningham

## Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation  
Roger M. Cunningham, CPA – A Professional Corporation  
Jessica H. Broadway, CPA – A Professional Corporation  
Ryan E. Todtenbier, CPA – A Professional Corporation

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

To the Mayor and Aldermen of the  
Village of Converse, 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 and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities, business-type activities, and major fund of the Village of Converse ("Village") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 1, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control that we considered to be a significant deficiency, identified as finding 2017-001 – *Segregation of Duties* in the Schedule of Audit Findings.

### **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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, identified as finding 2017-002 – *Ethics Education Requirement Violation* in the Schedule of Audit Findings.

### **Village of Converse's Response to Findings**

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

### **Purpose of this Report**

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

  
Johnson, Thomas & Cunningham, CPA's

June 1, 2018  
Natchitoches, Louisiana

Village of Converse, Louisiana  
Schedule of Audit Findings  
Year Ended December 31, 2017

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of the Village of Converse as of and for the year ended December 31, 2017.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness, identified as finding *2017-001 – Segregation of Duties*.
3. The audit disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, identified as finding *2017-002 – Ethics Education Requirement Violation*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Internal Control-

*2017-001 Segregation of Duties*

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

*Condition* – Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties over cash receipts, accounts payable, and payroll preparation. The receipt of funds, bank deposits and posting of receipts are performed by the same individual. Invoices are received, processed and paid by one individual who has check signature authority. The same individual prepares and distributes the payroll checks, with no evidence of management approval.

*Cause* – The Village does not have a sufficient number of employees to adequately separate the key accounting processes.

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

*Recommendation* – Since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we recommend that the Village develop and implement procedures that provide as much segregation of duties possible utilizing the management and staff available.

*Management's Response* – It is not economically feasible to add a sufficient number of employees to adequately segregate accounting duties. We will develop and implement internal control procedures to provide mitigating measures to ensure additional control over key accounting processes.

Village of Converse, Louisiana  
Schedule of Audit Findings (Continued)  
Year Ended December 31, 2017

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

Compliance-

*2017-002 Ethics Education Requirement Violation*

*Criteria* – Louisiana Revised Statutes (LSA-R.S.) 42:1170(A)(3)(a)(i) requires each public servant to receive a minimum of one hour of education and training on the Code of Governmental Ethics during each year of his public employment.

*Condition* – All employees of the Village of Converse did not complete the required training on the Code of Governmental Ethics.

*Cause* – The Mayor and Aldermen did complete this training, but the employees of the Village have not completed the training. Management was not fully aware of all the requirements of the statute.

*Effect* – Penalties could be assessed by the Board of Ethics.

*Recommendation* – We recommend that the required ethics training be completed by all employees of the Village and certification of the training be maintained by the Village.

*Management's Response* – The Village has immediately instituted procedures to ensure all employees receive the required training in accordance with the Code of Governmental Ethics.

III. PRIOR YEAR FINDINGS

*Condition* – In the prior year review report for the Village of Converse, it was noted that the Village failed to amend the budget when the actual expenditures exceeded budgeted expenditures by more than 5% as allowed.

*Status* – At December 31, 2017, this condition has cleared.

# Johnson, Thomas & Cunningham

## Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation  
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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

To the Mayor and Aldermen of the  
Village of Converse, Louisiana

We have performed the procedures enumerated below, which were specified and agreed to by the Mayor and Aldermen of the Village of Converse to assist the agency in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended December 31, 2017. We are required to perform each procedure and report the results, including any exceptions. The Village of Converse is responsible for internal controls and compliance with laws and regulations relative to the SAUPs and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Village of Converse. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are enumerated below.

#### ***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or noted that the entity does not have any written policies and procedures), as applicable:

- ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

*No written policies were provided. The Village follows the Local Government Budget Act.*

- ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*The Village does not utilize a purchase order or equivalent system, and does not have any written policies and procedures in place for purchasing.*

- ***Disbursements***, including processing, reviewing, and approving

*The Village does not have any written policies and procedures in place for disbursements.*

- **Receipts**, including receiving, recording, and preparing deposits

*The Village does not have any written policies and procedures in place for receipts.*

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

*The Village does not have any written policies and procedures in place for payroll/personnel.*

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

*The Village has no written policies and procedures concerning contracting.*

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

*The Village does not have any written policies and procedures in place for credit cards.*

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

*The Village does not have any written policies and procedures in place for travel and expense reimbursement.*

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

*The Village does not have any written policies and procedures in place for ethics.*

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

*The Village does not have any written policies and procedures in place for debt service.*

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

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

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

*We obtained the Village's board minutes for the year, noting the board met in accordance with their policies, without exception.*

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

*Budget-to-actual financial statements are presented at each board meeting.*

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

*Not applicable.*

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

*We noted the minutes included non-budgetary financial information in each meeting (i.e., approval of contracts and disbursements).*

### ***Bank Reconciliations***

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

*We were provided with the listing by management.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- Bank reconciliations have been prepared;

*The Council has seven bank accounts. We obtained bank statements and reconciliations for five accounts for all months in the fiscal period, noting that reconciliations have been prepared for all months, without exception.*

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

*The bank reconciliations obtained did not contain evidence that management reviewed the bank reconciliations.*

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

*No exceptions noted.*

### ***Collections***

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

*Management provided the listing as requested.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). **For each cash collection location selected:**

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

*Management provided the documentation indicating that employees responsible for collecting cash are covered by employee theft insurance. The Village clerk collects payments, makes bank deposits and records the related transactions. The Village's outside CPA reconciles the bank statements. The Village has only one cash drawer.*

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

*Cash collections are reconciled to the receipt book and general ledger by the Village clerk, who is also responsible for cash collections.*

- Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*Management provided the required documentation for the selected deposits. The Village does not have set procedures that allow deposits to be made within one day. They typically deposit fines and utility payments within one to five days of collection, with money being kept in a locked cash box in a locked cabinet located in City Hall until deposited.*

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

*Collection documentation was obtained and no exceptions were noted.*

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

*Management has no written procedures for collections which address the process to determine completeness of collections.*

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

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

*We obtained the general ledger and sorted for disbursements. We obtained management's representation that the general ledger population was complete.*

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

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

*The Village does not utilize a purchase order or equivalent system. Included in the selection were recurring routine transactions that did not require purchase orders.*

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

*No approvals were noted on the selected purchases, but the invoices were coded by the police chief or utility manager. Invoices are approved by the mayor upon his signing of the checks.*

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

*All appropriate documentation was provided for each applicable selection, except that no requisition or purchase orders are utilized.*

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

*The Village clerk has authority to add vendors to the computer system and is also responsible for processing payments and signing checks.*

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

*The Village clerk has signatory authority and also is responsible for initiating and recording purchases.*

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

*The Village clerk has signatory authority and also has access to the supply of unused checks which is maintained in a locked location.*

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

*Not applicable – no signature stamps or machines are in use at the Village.*

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

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

*Management provided the required listing and represented that the listing was complete.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

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

*Monthly statements were obtained. There was no evidence that the monthly statements were approved by someone other than the authorized card holder.*

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

*For the four cards selected, there were late charges assessed on one of the statements.*

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

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

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

*One statement for the utility department credit card was missing the original receipts.*

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

*No exceptions noted. There were no meal charges on the statements.*

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

*The Village has no written policies for credit card purchases.*

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

*We noted no exceptions in the selected transactions with regard to the Louisiana Public Bid Law. The Village has no written policies for credit card purchases.*

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

*We noted no exceptions in the selected transactions.*

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

---

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

*Management represented that there were no travel or related expense reimbursements during the fiscal period.*

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

*The Village has no written policies related to travel and expense reimbursements.*

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

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

*Not applicable – no transactions to test.*

- Report whether each expense is supported by:
  - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*Not applicable – no transactions to test.*

- Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Not applicable – no transactions to test.*

- Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Not applicable – no transactions to test.*

### ***Contracts***

---

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

*Management provided the requested listing and representation.*

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

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

*Formal/written contracts were provided to support the selected services arrangements and the amounts paid, without exception.*

- Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
  - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

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

*No noncompliance noted. The contract with the State of Louisiana for the LCDBG grant funds was handled by GNF Management, who had responsibility for the bidding and advertisement requirements.*

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

*The original contract with the State of Louisiana was for \$215,154 in funding for street improvements. The total funding for the project was only \$181,499.*

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

*No exceptions noted.*

- Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No exceptions noted.*

### **Payroll and Personnel**

---

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

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

*No exceptions noted.*

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

*Pay rate increases were approved by the Board and noted in the minutes. Two employees in the selection had no rate/salary increases during the fiscal period.*

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

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

*All of the eight employees in the selection had documented their daily attendance and leave.*

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

*No supervisory approvals were noted on any selections.*

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

*We observed the written leave records maintained for all employees, which is maintained the payroll accounting system and printed on the employee pay stubs.*

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

*There were no employees who terminated during the fiscal period; therefore, no procedures were performed.*

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

*No exceptions noted.*

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

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

*Only the Mayor and Aldermen received the annual ethics training. None of the other employees have obtained the required ethics training. The Village was unable to produce any compliance documentation for the training that did occur.*

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

*Per inquiry of management, there were no alleged ethics violations reported to the Village during the fiscal period.*

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

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

*Not applicable – No debt was issued during the fiscal period.*

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

*The Village had no debt covenants applicable during the fiscal period.*

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

*The Village had no tax millages related to debt service.*

**Other**

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

*Per discussion with the management, there were no funds or assets misappropriated during the period.*

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

*We viewed the notice required by R.S. 24:523.1 posted on the Village's premises.*

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

*Not applicable – no exceptions noted.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Village of Converse and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully,

*Johnson, Thomas + Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

June 1, 2018  
Natchitoches, Louisiana

Village of Converse, Louisiana  
Management's Response to Exceptions to  
Statewide Agreed-Upon Procedures  
For the Year Ended December 31, 2017

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 1: The Village has obtained copies of sample policies and procedures and is in the process of developing written policies and procedures for each of the following financial/business functions:

- Budgeting
- Purchasing
- Disbursements
- Receipts
- Payroll/Personnel
- Contracting
- Credit cards
- Travel and expense reimbursement
- Ethics
- Debt Service

Although the Village has not previously developed written policies and procedures for the above functions, the Village is organized under the Lawrason Act and follows the applicable laws outlined in the Louisiana Compliance Questionnaire regarding the Public Bid Law, Code of Ethics, Local Government Budget Act, auditing requirements, Open Meetings Law, Asset Management Laws, as well as other regulatory requirements.

Item 4: The Village will implement procedures to ensure that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation. The bank reconciliations are prepared by an outside CPA, who receives the bank statements directly from the bank before they are presented to the Village.

Item 6: The Village does not have an adequate number of employees to separate the responsibilities of collecting cash, making deposits and recording related transactions. The Village is in the process of developing mitigating internal control procedures. The Village does not feel it necessary to make bank deposits every day, but will continue to monitor its controls and procedures to ensure the safeguarding of the funds from the date of collection until deposit.

Item 7: The Village is in the process of developing written procedures for collections which address the process to determine completeness of collections.

Item 9: The Village does not utilize a purchase order or equivalent system; however, the Village has begun the process of designing and implementing written procedures that ensure the proper initiation and approval for all purchases.

Item 10: The Village has only one office employee and does not feel it prudent to prohibit the clerk from adding vendors to the system; however, the Village will design and implement procedures that ensure the proper initiation and approval for all purchases.

Village of Converse, Louisiana  
Management's Response to Exceptions to  
Statewide Agreed-Upon Procedures (continued)  
For the Year Ended December 31, 2017

- Item 11: The Village will design and implement procedures that ensure the proper initiation and approval for all purchases. The Village requires dual signatures on all disbursements and the final authorization for disbursements is the responsibility of the Mayor, who does not initiate or record purchases.
- Item 12: The Village feels it necessary that the clerk have access to the supply of unused checks, even though she also has signatory authority.
- Item 15: The Village will design and implement procedures that ensure that monthly credit card statements are approved by someone other than the authorized card holder. The newly established credit card policy and procedures will dictate that statements are made timely so as to avoid late charges.
- Item 16: The Village will design and implement procedures that ensure that all transactions on the monthly credit card statements are supported by original itemized receipts.
- Item 23: The Village will design and implement procedures to provide written documentation of supervisor approval of all attendance and leave requests.
- Item 24: The Village was not aware of the ethics training requirement for all employees. Procedures have already been implemented to ensure compliance and documentation for all employees.