
VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Honorable Donald Popp, Mayor
and the Board of Aldermen
Village of Estherwood, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana (the Village or Estherwood), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 38-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Emphasis of Matters

As discussed in Note 13 to the financial statements, the Village has suffered recurring operating losses from operations in its proprietary funds that has led to deficit or marginal unrestricted net position in those funds, minimal unassigned fund balance in its general fund, and overall cash flow challenges. Management's evaluation of the events and conditions and management's plans to mitigate these matters is also described in Note 13.

As discussed in Notes 1 and 14 to the financial statements, the Village adopted GASB Statement No 83, *Certain Asset Retirement Obligations*, during 2019 which had a material impact on amounts reported in the sewer utility fund.

Our opinion is not modified with respect to these matters.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Lafayette, Louisiana
January 30, 2020

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

This section of the Village of Estherwood's (the Village) annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Village's combined total net position decreased by \$26,190 or 1.37% over the course of this year's operations. Net position of the governmental activities decreased by \$179,551 or 32.97% while net position of the business-type activities increased by \$153,361 or 11.18%.
- The general fund reported a \$7,074 fund balance at year end. However, \$279 of this amount is restricted, leaving the Village with minimal spendable operating reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Figure A-1
Major Features of the Village's Government and Fund Financial Statements

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

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

- Governmental funds—Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

- Proprietary funds—Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the Village's enterprise funds (one type of proprietary fund) present information on the same basis of accounting and for the same activities as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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

	Governmental Activities		Business-Type Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u> <u>(restated)</u>
Current and other assets	\$ 29,463	\$ 40,586	\$ 135,346	\$ 157,458
Internal balances	-	159,785	-	(159,785)
Capital assets	364,713	371,542	2,251,435	2,261,688
Total assets	394,176	571,913	2,386,781	2,259,361
Retirement of sewerage treatment facility	-	-	59,354	63,424
Total deferred outflows	-	-	59,354	63,424
Current liabilities	23,686	27,318	82,956	96,466
Long-term liabilities	5,446	-	838,500	855,001
Total liabilities	29,132	27,318	921,456	951,467
Net position				
Net investment in capital assets	357,970	371,542	1,616,435	1,575,899
Restricted	279	4,126	25,096	13,757
Unrestricted	6,795	168,927	(116,852)	(218,338)
Total net position	\$ 365,044	\$ 544,595	\$1,524,679	\$1,371,318

Net position of the Village's Government Activities was \$365,044 at June 30, 2019, a decrease from the \$544,595 year-end net position of the prior year. Net position of the Village's Business-Type Activities was \$1,524,679 an increase from the \$1,371,318 year-end net position of the prior year. These changes are further explained on the following page. For both activities, the net position is comprised of mostly investment in capital assets, which is not in spendable form.

As discussed in Notes 1 and 14 to the financial statements, the Village adopted GASB Statement No 83, Certain Asset Retirement Obligations, during 2019 which had a material impact on amounts reported in the sewer utility fund and the Business-Type Activity financial statements. As a result, the 2018 presentation in Tables A-1 and A-2 have been updated to reflect the impact of the adoption of this standard. As a result of the adoption, the Village's

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

financial statements report a deferred outflow and a long-term liability in the sewer utility fund and Business-Type Activities related to the estimated costs of dismantling and removing the sewer treatment pond.

Change in net position. Changes in net position are the result of revenues exceeding expenses, transfers between funds and activities, and gain or loss on disposal of capital assets. The Village's governmental activities saw a decrease in net position of \$179,551. Despite increased revenue of \$33,469 due to police officers issuing additional citations, expenses increased by \$14,470 and transfers were made to the business type-activities in the amount of \$223,576 to reflect subsidies to the operations of the utilities provided by the Village. The Village's business-type activities saw an increase in net position of \$153,361. Utility charges remained flat, and grant revenues (used for utility infrastructure) decreased by \$224,073 as a result of the completion of the water system project. Expenses increased \$64,083. However, these negative impacts to net position for the business-type activities were offset by the \$223,576 transfer-in from the governmental activities mentioned above.

Table A-2
Changes in Village's Net Position

	Governmental Activities		Business-Type Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u> <u>(restated)</u>
Revenues				
Program revenues				
Charges for services	\$ 95,063	\$ 57,312	\$ 294,364	\$ 301,143
Grants and contributions	6,093	1,200	45,109	269,182
General revenues				
Taxes	117,557	118,871	-	-
Licenses and permits	22,372	25,539	-	-
Miscellaneous	5,119	9,813	477	1,403
Total revenues	<u>246,204</u>	<u>212,735</u>	<u>339,950</u>	<u>571,728</u>
Expenses				
General government	85,633	96,208	-	-
Public safety	59,075	41,790	-	-
Public works	57,371	49,711	410,165	346,082
Interest expense	100	-	-	-
Total expenses	<u>202,179</u>	<u>187,709</u>	<u>410,165</u>	<u>346,082</u>
Revenues over (under) expenses	44,025	25,026	(70,215)	225,646
Loss on disposal of capital assets	-	(833)	-	-
Transfers in (out)	(223,576)	-	223,576	-
Increase (decrease) in net position	<u>\$ (179,551)</u>	<u>\$ 24,193</u>	<u>\$ 153,361</u>	<u>\$ 225,646</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As the Village completed the year, its governmental fund reported a fund balance of \$7,074, while the enterprise funds reported combined net position of \$1,524,679. However, the majority of the governmental fund's equity is non-spendable and the Village's operating reserves are minimal. The business-type activities reported a combined unrestricted deficit in net position of \$116,852.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village's Board of Alderman revised the General Fund budget to adjust various revenues and expenditures. Revenue budgets were increased for fines and forfeitures in the amount of \$50,000. Expenditure budgets were increased for public safety, public works, and for capital outlay. The single largest adjustment was for transfers to the utility fund - an impact of \$143,233 to reflect forgiveness of amounts advanced to these funds for several years to subsidize operations. With these adjustments, actual expenditures and transfers out were \$71,343 less than final budgeted expenditures and transfers out. Also, actual revenues were \$28,869 more than final budgeted revenues.

CAPITAL ASSETS

At June 30, 2019, the Village had invested approximately \$2.6 million in a broad range of capital assets, including police department equipment, buildings, vehicles, and gas, sewer, and water systems (See Table A-3). This amount represents a net decrease (including additions such as water system improvements, and deductions such as depreciation) of \$17,082 from last year.

Table A-3
Village's Capital Assets

	Governmental Activities		Business Activities	
	2019	2018	2019	2018
Improvements other than buildings	\$ 343,121	\$ 343,121	\$ -	\$ -
Buildings	133,025	133,025	-	-
Infrastructure	827,238	827,238	3,569,895	3,172,107
Equipment	154,920	145,400	119,690	119,690
Land	10,479	10,479	37,480	37,480
Construction in Progress	-	-	-	323,706
Accumulated depreciation	(1,104,070)	(1,087,721)	(1,475,630)	(1,391,295)
Total	\$ 364,713	\$ 371,542	\$ 2,251,435	\$ 2,261,688

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

LONG-TERM DEBT AND OTHER LIABILITIES

At the end of the current fiscal year, the Village had long-term debt outstanding of \$641,743 as compared to \$651,501 in the prior year (See Table A-4). This net decrease is due to the issuance of (or draws upon) utility revenue bonds in the amount of \$17,856 in the current year and principal repayments and forgiveness of debt totaling \$34,357. The Village also entered into a note payable transaction during 2019, with proceeds of \$7,193 offset by principal payments of \$450 during 2019. The Village also has obligations to perform future asset retirement activities related to the sewer treatment plant, thus recognizing a related liability in the business-type activities (see Note 14 to the financial statements). More information about the Village's long-term liabilities is presented in Note 8 to the financial statements.

Table A-4
Village's Outstanding Debt

	Governmental Activities		Business Activities	
	2019	2018	2019	2018
Utility Revenue Bonds	\$ -	\$ -	\$ 635,000	\$ 651,501
Note payable	6,743	-	-	-
Cost of retirement, sewerage treatment facility	-	-	203,500	203,500
Total long-term debt	<u>\$ 6,743</u>	<u>\$ -</u>	<u>\$ 838,500</u>	<u>\$ 855,001</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The major source of revenue for the proprietary funds is charges for utility services. The Board has reviewed expenses and has implemented spending cuts thus far in fiscal year 2020, including personnel restructuring, reduction in insurance costs, and training of Village personnel to help reduce professional fees. The Board intends to revisit the impact of these changes and make additional adjustments as needed during fiscal year 2020.

As indicated in Note 13 to the financial statements, the Village has experienced operating deficits and cash flow shortages in its proprietary funds in recent years, and operating reserves have depleted as a result. Continued monitoring of utility rates, expenses, and overall financial performance in the utility funds will be performed in order to ensure the Village to meets its ongoing obligations.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash	\$ 6,122	\$ 30,977	\$ 37,099
Accounts receivable, net	-	21,064	21,064
Unbilled services receivable	-	8,717	8,717
Franchise fee receivable	7,815	-	7,815
Due from other governmental agencies	15,247	1,825	17,072
Restricted assets:			
Cash	279	62,688	62,967
Certificates of deposit	-	10,075	10,075
Capital assets:			
Non-depreciable	10,479	37,480	47,959
Depreciable, net	354,234	2,213,955	2,568,189
TOTAL ASSETS	394,176	2,386,781	2,780,957
<u>DEFERRED OUTFLOWS:</u>			
Retirement of sewerage treatment facility	-	59,354	59,354
TOTAL DEFERRED OUTFLOWS	-	59,354	59,354
<u>LIABILITIES:</u>			
Accounts payable and accrued liabilities	22,389	33,347	55,736
Unearned grant revenue	-	1,942	1,942
Customer deposits	-	47,667	47,667
Long-term liabilities:			
Due within one year -			
Note payable	1,297	-	1,297
Due in more than one year -			
Bonds payable	-	635,000	635,000
Note payable	5,446	-	5,446
Cost of retirement, sewerage treatment facility	-	203,500	203,500
TOTAL LIABILITIES	29,132	921,456	950,588
<u>NET POSITION:</u>			
Net investment in capital assets	357,970	1,616,435	1,974,405
Restricted	279	25,096	25,375
Unrestricted (deficit)	6,795	(116,852)	(110,057)
TOTAL NET POSITION	\$ 365,044	\$ 1,524,679	\$ 1,889,723

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:						
General government	\$ 85,633	\$ -	\$ 4,893	\$ (80,740)	\$ -	\$ (80,740)
Public safety	59,075	91,863	1,200	33,988	-	33,988
Public works	57,371	3,200	-	(54,171)	-	(54,171)
Interest expense	100	-	-	(100)	-	(100)
Total governmental activities	<u>202,179</u>	<u>95,063</u>	<u>6,093</u>	<u>(101,023)</u>	<u>-</u>	<u>(101,023)</u>
Business-type:						
Water	171,579	139,221	45,109	-	12,751	12,751
Gas	82,681	70,781	-	-	(11,900)	(11,900)
Sewer	155,905	84,362	-	-	(71,543)	(71,543)
Total business-type activities	<u>410,165</u>	<u>294,364</u>	<u>45,109</u>	<u>-</u>	<u>(70,692)</u>	<u>(70,692)</u>
Total	<u>\$ 612,344</u>	<u>\$ 389,427</u>	<u>\$ 51,202</u>	<u>(101,023)</u>	<u>(70,692)</u>	<u>(171,715)</u>
General revenues:						
Taxes -						
Property				21,346	-	21,346
Sales				63,652	-	63,652
Franchise				32,559	-	32,559
Licenses and permits				22,372	-	22,372
Grants and contributions not restricted to specific programs				911	-	911
Investment income				23	261	284
Miscellaneous				4,185	216	4,401
Total general revenues				<u>145,048</u>	<u>477</u>	<u>145,525</u>
Transfers in (out)				<u>(223,576)</u>	<u>223,576</u>	<u>-</u>
Change in net position				<u>(179,551)</u>	<u>153,361</u>	<u>(26,190)</u>
Net position, beginning, restated (Notes 1 and 14)				<u>544,595</u>	<u>1,371,318</u>	<u>1,915,913</u>
Net position, ending				<u>\$ 365,044</u>	<u>\$ 1,524,679</u>	<u>\$ 1,889,723</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019

	General Fund
<u>ASSETS</u>	
Cash	\$ 6,122
Cash, restricted for police auxiliary	279
Due from other governmental agencies	15,247
Franchise fee receivable	7,815
TOTAL ASSETS	\$ 29,463
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 22,389
TOTAL LIABILITIES	22,389
<u>FUND BALANCE</u>	
Restricted	279
Unassigned	6,795
TOTAL FUND BALANCE	7,074
TOTAL LIABILITIES AND FUND BALANCE	\$ 29,463

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Fund balance at June 30, 2019 - governmental fund	\$	7,074
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets at June 30, 2019	1,468,783	
Less: Accumulated depreciation at June 30, 2019	<u>(1,104,070)</u>	364,713

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Note payable		<u>(6,743)</u>
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Net position at June 30, 2019 - Governmental Activities	\$	<u><u>365,044</u></u>
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VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund
<u>REVENUES:</u>	
Sales taxes	\$ 63,652
Property taxes	21,346
Franchise taxes	32,559
Licenses and permits	22,372
Intergovernmental	7,004
Charges for services	3,200
Fines	91,863
Investment income	23
Miscellaneous	4,185
Total revenues	246,204
 <u>EXPENDITURES:</u>	
Current -	
General government	80,182
Public safety	59,002
Public works	40,873
Debt service -	
Principal	450
Interest	100
Capital outlay	8,000
Total expenditures	188,607
Excess of revenues over expenditures	57,597
 <u>OTHER FINANCING USES</u>	
Transfers out	(223,576)
Net change in fund balance	(165,979)
Fund balance, beginning of year	173,053
Fund balance, ending of year	\$ 7,074

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - governmental fund \$ (165,979)

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

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

Capital outlay	\$ 8,000	
Depreciation expense	<u>(22,022)</u>	(14,022)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction has no effect on net position.

Principal payments on note payable		<u>450</u>
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Change in net position of governmental activities \$ (179,551)

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
<u>ASSETS:</u>				
CURRENT ASSETS -				
Cash	\$ 11,763	\$ 11,664	\$ 7,550	\$ 30,977
Accounts receivable, net	11,018	2,876	7,170	21,064
Unbilled services receivable	4,566	1,243	2,908	8,717
Due from other governmental agencies	1,825	-	-	1,825
Restricted assets:				
Cash	39,182	8,765	14,741	62,688
Certificates of deposit	4,267	2,785	3,023	10,075
TOTAL CURRENT ASSETS	<u>72,621</u>	<u>27,333</u>	<u>35,392</u>	<u>135,346</u>
NON-CURRENT ASSETS -				
Capital assets:				
Non-depreciable	-	-	37,480	37,480
Depreciable, net	1,258,583	5,181	950,191	2,213,955
TOTAL NON-CURRENT ASSETS	<u>1,258,583</u>	<u>5,181</u>	<u>987,671</u>	<u>2,251,435</u>
TOTAL ASSETS	<u>\$ 1,331,204</u>	<u>\$ 32,514</u>	<u>\$ 1,023,063</u>	<u>\$ 2,386,781</u>
<u>DEFERRED OUTFLOWS:</u>				
Retirement of sewerage treatment facility	\$ -	\$ -	\$ 59,354	\$ 59,354
<u>LIABILITIES:</u>				
CURRENT LIABILITIES -				
Accounts payable	\$ 15,527	\$ 9,508	\$ 8,312	\$ 33,347
Unearned grant revenue	-	-	1,942	1,942
Current liabilities paid from restricted funds:				
Customers' deposits	18,353	11,550	17,764	47,667
TOTAL CURRENT LIABILITIES	<u>33,880</u>	<u>21,058</u>	<u>28,018</u>	<u>82,956</u>
NON-CURRENT LIABILITIES -				
Bonds payable, long-term portion	635,000	-	-	635,000
Cost of retirement, sewerage treatment facility	-	-	203,500	203,500
TOTAL LIABILITIES	<u>\$ 668,880</u>	<u>\$ 21,058</u>	<u>\$ 231,518</u>	<u>\$ 921,456</u>
<u>NET POSITION:</u>				
Net investment in capital assets	\$ 623,583	\$ 5,181	\$ 987,671	\$ 1,616,435
Restricted	25,096	-	-	25,096
Unrestricted (deficit)	13,645	6,275	(136,772)	(116,852)
TOTAL NET POSITION	<u>\$ 662,324</u>	<u>\$ 11,456</u>	<u>\$ 850,899</u>	<u>\$ 1,524,679</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 139,221	\$ 70,781	\$ 84,362	\$ 294,364
Miscellaneous	214	2	-	216
Total operating revenues	<u>139,435</u>	<u>70,783</u>	<u>84,362</u>	<u>294,580</u>
Operating expenses:				
Salaries and payroll taxes	37,280	21,729	32,133	91,142
Materials and supplies	20,989	3,197	8,056	32,242
Office expenses	3,642	2,213	3,122	8,977
Depreciation and amortization	38,716	1,188	48,502	88,406
Utilities and telephone	6,486	1,255	8,646	16,387
Fuel purchased	-	18,291	-	18,291
Professional services	8,374	15,861	27,020	51,255
Repairs and maintenance	13,103	8,419	14,411	35,933
Insurance	13,056	7,931	11,200	32,187
Bad debt	2,700	1,100	1,600	5,400
Miscellaneous	7,257	1,497	1,215	9,969
Total operating expenses	<u>151,603</u>	<u>82,681</u>	<u>155,905</u>	<u>390,189</u>
Operating income (loss)	<u>(12,168)</u>	<u>(11,898)</u>	<u>(71,543)</u>	<u>(95,609)</u>
Nonoperating revenue (expense):				
Investment income	259	-	2	261
Interest expense	(19,976)	-	-	(19,976)
Total nonoperating revenue (expense)	<u>(19,717)</u>	<u>-</u>	<u>2</u>	<u>(19,715)</u>
Loss before capital contributions and transfers	<u>(31,885)</u>	<u>(11,898)</u>	<u>(71,541)</u>	<u>(115,324)</u>
Capital contributions	45,109	-	-	45,109
Transfers in	111,626	69,617	49,025	230,268
Transfers out	<u>(104)</u>	<u>-</u>	<u>(6,588)</u>	<u>(6,692)</u>
Change in net position	124,746	57,719	(29,104)	153,361
Net position, beginning, restated (Note 14)	<u>537,578</u>	<u>(46,263)</u>	<u>880,003</u>	<u>1,371,318</u>
Net position, ending	<u>\$ 662,324</u>	<u>\$ 11,456</u>	<u>\$ 850,899</u>	<u>\$ 1,524,679</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water Utility Fund	Gas Utility Fund	Sewer Utility Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 144,009	\$ 72,264	\$ 87,614	\$ 303,887
Payments to suppliers for goods and services	(68,638)	(52,308)	(68,913)	(189,859)
Payments to employees for services	(37,280)	(21,729)	(32,133)	(91,142)
Other operating receipts	214	2	-	216
Net cash provided by (used in) operating activities	<u>38,305</u>	<u>(1,771)</u>	<u>(13,432)</u>	<u>23,102</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Increase (decrease) in customers' deposits	(132)	(95)	223	(4)
Payments to and from other funds, net	44,858	8,281	10,652	63,791
Net cash provided by non-capital financing activities	<u>44,726</u>	<u>8,186</u>	<u>10,875</u>	<u>63,787</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on investment	259	-	2	261
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchase of capital assets	(103,417)	-	(8,486)	(111,903)
Proceeds from issuance of debt	16,031	-	-	16,031
Principal payments on debt	(29,000)	-	-	(29,000)
Interest expense paid	(19,976)	-	-	(19,976)
Grant revenue received	71,120	-	-	71,120
Net cash used in capital and related financing activities	<u>(65,242)</u>	<u>-</u>	<u>(8,486)</u>	<u>(73,728)</u>
Net change in cash and cash equivalents	18,048	6,415	(11,041)	13,422
Cash and cash equivalents, beginning of year	32,897	14,014	33,332	80,243
Cash and cash equivalents, end of year	<u>\$ 50,945</u>	<u>\$ 20,429</u>	<u>\$ 22,291</u>	<u>\$ 93,665</u>
Classified as:				
Current assets	\$ 11,763	\$ 11,664	\$ 7,550	\$ 30,977
Restricted assets	39,182	8,765	14,741	62,688
Total	<u>\$ 50,945</u>	<u>\$ 20,429</u>	<u>\$ 22,291</u>	<u>\$ 93,665</u>
<u>Reconciliation of net income (loss)</u>				
<u>to net cash provided by operating activities:</u>				
Income (loss) from operations	\$ (12,168)	\$ (11,898)	\$ (71,543)	\$ (95,609)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	38,716	1,188	48,502	88,406
Change in assets and liabilities:				
Receivables, net	4,788	1,483	3,252	9,523
Accounts payable	6,969	7,456	6,357	20,782
Net cash provided by (used in) operating activities	<u>\$ 38,305</u>	<u>\$ (1,771)</u>	<u>\$ (13,432)</u>	<u>\$ 23,102</u>
<u>Non cash capital and related financing activities:</u>				
Forgiveness of debt	<u>\$ 5,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,357</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity:

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

Primary Government-

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

Component Units-

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation:

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

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

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

Government-Wide Financial Statements-

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements-

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

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

The Village reports the following major governmental fund:

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

The Village reports the following major proprietary funds:

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

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting – Measurement Focus:

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

Government-Wide and Proprietary Fund Financial Statements-

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

Governmental Fund Financial Statements-

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents:

Cash includes amounts in demand deposits with the Village's fiscal agent bank and on hand. For purposes of reporting cash flows, the Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Village has no cash equivalents at June 30, 2019. The Village selects a fiscal agent bank among state banks having their principal offices in the State of Louisiana in accordance with Louisiana law.

Investments:

Under State law, the Village may invest in United States bonds, treasury notes or certificates, or time certificates of deposit of State banks having their principal office in the State of Louisiana, or any other federally insured investment. The Village may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. The Village's investments at June 30, 2019, consisted of time certificates of deposit (CD) purchased from local financial institutions. These CDs are measured at cost.

Custodial Credit Risk:

The Village is subjected to custodial credit risk as it relates to their deposits with financial institutions. The Village's policy to ensure there is no exposure to this risk is to require each financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. These securities must be held in the Village's name. Accordingly, the Village had no custodial credit risk related to its deposits at June 30, 2019.

Receivables:

Accounts receivable for the Water, Gas and Sewer Utility Funds are reported net of an allowance for doubtful accounts. The allowance at June 30, 2019 for the Water, Gas, and Sewer Utility funds was \$3,949, \$6,277, and \$2,587, respectively.

Interfund Receivables and Payables:

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

Restricted Assets:

Certain resources of the Water, Gas, and Sewer Utility funds are classified as restricted assets in the financial statements because they represent customer's deposits being held by the Village. Additionally, approximately \$25,096 is restricted in the Water fund in order to fund future debt service on the utility revenue bonds.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets:

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

Government-Wide Financial Statements-

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

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

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

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

Fund Financial Statements-

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

Compensated Absences:

Sick leave is credited to permanent full-time employees at a rate of 1.25 days for each month of continuous employment. Unused sick leave is not paid upon termination or separation from employment and is therefore not recorded in the financial statements. Employees earn vacation leave at varying rates of 10 to 20 days per year, depending on length of service. Any unused vacation leave expires at the end of each calendar year. Unused vacation leave is paid upon termination or separation from employment. As of June 30, 2019, any liability for this accumulated leave is considered immaterial to the financial statements taken as a whole and is therefore not recorded.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt:

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

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

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

Deferred Outflows and Deferred Inflows:

Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Village's deferred outflows at June 30, 2019 are related to estimated costs of dismantling and removal of the sewer treatment facility upon future closure of the plant's operations. The Village had no deferred inflows at June 30, 2019.

Equity classifications:

Government-wide statements and Proprietary Fund Statements -

Net Position

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

Governmental Fund Financial Statements- Equity

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

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

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

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

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

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bad Debts:

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

Interfund Transfers:

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

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Village is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The Village recorded no impairment losses during the year ended June 30, 2019.

Use of Estimates:

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

Accounting Pronouncements Adopted During the Year:

GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), including the Village's sewer treatment plant. Because the Village has obligations to perform future asset retirement activities related to this plant, the Village recognizes a related liability in the financial statements. The Statement also requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability. The deferred outflows of resources are then reduced and recognized as an expense over the estimated useful life of the asset. The Village adopted this standard during 2019. The Village applied this Standard retrospectively, and the 2018 amounts have been restated to reflect the deferred outflows of resources (increase \$63,424), liability (increase \$203,500), net position (decrease \$140,076), and expenses (increase \$4,070) related to the implementation.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*, in March 2018. This Statement's objective is to clarify and improve the information that is disclosed in the notes to the financial statements related to debt. The Village adopted this standard during 2019. The Village's 2019 notes have been revised to reflect additional and clarified disclosures required by this Standard.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. PROPERTY TAXES

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

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

For the year ended June 30, 2019, property taxes of 7.05 mills were levied for general corporate purposes on assessed valuations totaling \$2,019,800. Total taxes levied were \$14,240. Additionally, the local housing authority paid \$7,135 in lieu of property taxes during 2019.

3. COMPENSATION PAID TO ELECTED OFFICIALS

Compensation paid to elected officials for the year ended June 30, 2019 includes:

Anthony Borill, Mayor through Dec. 2018	\$ 600
Donald Popp, Alderman through Dec. 2018 and Mayor beginning Jan. 2019	900
Donna Bertrand, Alderman	600
Emily Mire, Alderman beginning Jan. 2019	300
Jo Ann Trahan, Alderman	600
Wayne Welsh, Chief of Police	7,300
	<u>\$ 10,300</u>

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies at June 30, 2019 consisted of the following:

Sales and use tax receivable	\$ 9,647
Grant receivable	7,187
Other	238
	<u>\$ 17,072</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5. INTERFUND TRANSFERS

Transfers between funds at June 30, 2019 are as follows:

	Transfers Out	Transfers In
General Fund	\$ 223,576	\$ -
Water Utility Fund	104	111,626
Gas Utility Fund	-	69,617
Sewer Utility fund	6,588	49,025
Total interfund transfers	<u>\$ 230,268</u>	<u>\$ 230,268</u>

Transfers are more permanent assistance that is not intended to be repaid. Generally, transfers within the Village consist of amounts from the general fund intended to subsidize the operations of the utility funds.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

6. CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 10,479	\$ -	\$ -	\$ 10,479
Total capital assets not being depreciated	<u>10,479</u>	<u>-</u>	<u>-</u>	<u>10,479</u>
Capital assets being depreciated				
Buildings and improvements	133,025	-	-	133,025
Land improvements	343,121	-	-	343,121
Machinery and equipment	145,400	15,193	(5,673)	154,920
Infrastructure	827,238	-	-	827,238
Total capital assets being depreciated	<u>1,448,784</u>	<u>15,193</u>	<u>(5,673)</u>	<u>1,458,304</u>
Less accumulated depreciation for				
Buildings and improvements	(111,575)	(3,639)	-	(115,214)
Land improvements	(343,121)	-	-	(343,121)
Machinery and equipment	(140,794)	(2,622)	5,673	(137,743)
Infrastructure assets	(492,231)	(15,761)	-	(507,992)
Total accumulated depreciation	<u>(1,087,721)</u>	<u>(22,022)</u>	<u>5,673</u>	<u>(1,104,070)</u>
Total governmental capital assets being depreciated, net	<u>361,063</u>	<u>(6,829)</u>	<u>-</u>	<u>354,234</u>
Total governmental activities capital assets, net	<u>\$ 371,542</u>	<u>\$ (6,829)</u>	<u>\$ -</u>	<u>\$ 364,713</u>

(continued)

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

6. CAPITAL ASSETS AND DEPRECIATION (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business -type activities:				
Capital assets, not being depreciated				
Land	\$ 37,480	\$ -	\$ -	\$ 37,480
Construction in progress	323,706	65,597	(389,303)	-
Total capital assets not being depreciated	<u>361,186</u>	<u>65,597</u>	<u>(389,303)</u>	<u>37,480</u>
Capital assets being depreciated				
Water utility system	1,159,426	389,303	-	1,548,729
Gas utility system	55,402	-	-	55,402
Sewer utility system	1,957,279	8,485	-	1,965,764
Machinery and equipment	119,690	-	-	119,690
Total capital assets being depreciated	<u>3,291,797</u>	<u>397,788</u>	<u>-</u>	<u>3,689,585</u>
Less accumulated depreciation for				
Water utility system	(253,490)	(38,437)	-	(291,927)
Gas utility system	(55,356)	(47)	-	(55,403)
Sewer utility system	(974,922)	(43,062)	-	(1,017,984)
Machinery and equipment	(107,527)	(2,789)	-	(110,316)
Total accumulated depreciation	<u>(1,391,295)</u>	<u>(84,335)</u>	<u>-</u>	<u>(1,475,630)</u>
Total business-type assets being depreciated, net	<u>1,900,502</u>	<u>313,453</u>	<u>-</u>	<u>2,213,955</u>
Total business-type activities capital assets, net	<u>\$ 2,261,688</u>	<u>\$ 379,050</u>	<u>\$ (389,303)</u>	<u>\$ 2,251,435</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

6. CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense for the year ended June 30, 2019 was charged as follows:

Governmental activities:

General government	\$	5,451
Public safety		73
Public works		16,498
Total governmental activities depreciation expense	\$	22,022

Business-type activities:

Water	\$	38,716
Gas		1,187
Sewer		44,432
Total business-type activities depreciation expense	\$	84,335

7. OPERATING LEASES

The Village has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. These leases are for copy machines and support government activities. Operating lease expenditures for the year ended June 30, 2019 totaled \$657.

8. LONG-TERM DEBT

Long-term debt activity of governmental activities for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Proceeds	Reductions	Balance June 30, 2019	Current Portion
Note payable	\$ -	\$ 7,193	\$ (450)	\$ 6,743	\$ 1,297

The Village's note payable is related to direct borrowing of governmental activities. The Village entered into a note payable to a financing company, due in monthly installments of \$138, including interest at 5.75%, maturing in fiscal year 2024. The note payable is secured by a piece of equipment. Should the Village not have the ability to appropriate funds for this note, the Village has the right, without penalty, to return the equipment in accordance with the lease agreement and terminate the lease on the last day of the fiscal period for which appropriations were received.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

8. LONG-TERM DEBT (continued)

Long-term debt activity of business-type activities for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Proceeds	Reductions	Balance June 30, 2019	Current Portion
Bonds payable	\$ 651,501	\$ 17,856	\$ (34,357)	\$ 635,000	\$ -

The Village entered into an agreement with the Louisiana Department of Health and Hospitals (the Department) as part of the Drinking Water Revolving Loan Fund whereby the Department has committed to loan the Village up to \$990,000 to fund construction, improvements, and replacement of a water system (project). The borrowing is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the Village will be evidenced through the Series 2014 bonds in amounts up to \$990,000, and these bonds will mature in 20 principal installments, payable annually on each July 1. The principal payments began upon completion of the project. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). Interest on the bonds is incurred at the rate of 3.45% and payment thereof began in December 2014 and continues to occur semi-annually thereafter. The annual debt service schedule will be finalized by the Department in fiscal year 2020 once drawdowns are complete.

The Village adopted GASB Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*, for the current fiscal year, and as such has identified this bond payable as a direct placement. The Village is required to create sinking fund and reserve accounts and maintain minimum balances within those accounts and make monthly deposits therein. As of June 30, 2019, the Village has made the minimum monthly deposits into the sinking fund and reserve accounts as required in the debt agreement. The bond agreement describes default as the failure to pay principal, interest, or administrative fees due on the bonds payable, and any non-performance or non-observance of covenants, agreements and conditions, including creation and funding of sinking fund reserve accounts and maintenance of a debt service coverage ratio of 120%. Upon providing notice of an event of default and giving the Village an opportunity to cure said default, the Department may petition the court for a mandamus action to force the Village to come into compliance and other actions. However, there are no acceleration payment clauses.

For the year ended June 30, 2019 the Village was not in compliance with the debt service coverage ratio requirement.

In accordance with the agreement, thirty percent of the 2014 bond funds advanced to the Village are forgivable as a debt upon advancement. During 2019, advances in the amount of \$5,357 were forgiven.

During 2019, the Village incurred \$19,976 in interest expense related to the bonds payable.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

8. LONG-TERM DEBT (continued)

Debt service requirements on the Village's long-term debt is as follows as of June 30, 2019 (including estimated annual debt service requirements for the bonds payable):

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,297	\$ 354	\$ -	\$ 18,408
2021	1,373	277	28,000	17,567
2022	1,454	196	29,000	16,697
2023	1,540	110	30,000	15,794
2024	1,079	22	31,000	14,868
2025-2029	-	-	174,000	64,223
2030-2034	-	-	205,000	36,330
2035-2037	-	-	138,000	6,358
	<u>\$ 6,743</u>	<u>\$ 959</u>	<u>\$ 635,000</u>	<u>\$ 190,245</u>

9. INSURANCE RISK

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

10. GRANTS AND CONTRIBUTIONS

During the fiscal year ended June 30, 2019, the governmental activities received operating grants in the amount of \$4,893. The business-type activities received capital grants in the amount of \$45,109. These grants are subject to examination by the granting agencies which could result in disallowed costs having to be returned to the granting agencies.

11. COMMITMENTS AND CONTINGENCIES

The Village operates a Sanitary Wastewater Disposal System under a National Pollutant Discharge Elimination System (NPDES) permit. The NPDES permit and the State permit under which the discharge is regulated has been the subject of scrutiny by the Environmental Protection Agency (EPA) and the Department of Environmental Quality. The Village is under an Administrative Order to upgrade its facility in order to comply with the permit and the expected more stringent permit discharges. The Village has been cited for past violations and a compliance order was issued. The Village has completed the building and rehabilitation of a sewer pond and the addition of a marsh/rockweed filter to achieve those limits. The Village continues to make efforts to comply with the permit limitations for discharge and to maintain the plant in accordance with those standards. While the Village is making efforts to resolve the violations detailed in the Administrative Order, the EPA is authorized to assess appropriate penalties if the violations are not corrected. As of June 30, 2019, the Village has not been assessed any such penalties.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

11. COMMITMENTS AND CONTINGENCIES (continued)

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

12. ON-BEHALF PAYMENTS FOR SALARIES

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

13. CURRENT OPERATING ENVIRONMENT

The Village's proprietary funds experienced operating deficits in 2019, which continued to reduce the net position and operating capital in each of those funds. Additionally, the general fund has made advances and transfers to those funds for operating purposes which has significantly depleted its spendable fund balance. Collectively, among the Village's four funds, the cash reserves levels are insufficient to sustain operations in times of decreased revenue or to fund emergency infrastructure repairs or other costs. Furthermore, the Village is non-compliant with its debt covenants regarding maintenance of net revenue levels over and above its scheduled debts service payments.

These conditions are the result of expenditures that have, at various times in the present and the past, exceeded recurring revenues of each fund. The Board and the Mayor have reviewed expenditures and have implemented spending cuts for fiscal year 2020, including personnel restructuring, reduction in insurance costs, and training of Village personnel to help reduce professional fees. These cost reductions are intended to reduce expenses to a level that will more closely align with revenues in each fund and begin to allow repayment of advances from the general fund to the proprietary funds. However, if these cost reduction goals are not achieved, then, the Village will further deplete the fund balance of its general fund and net position of its proprietary funds, thereby impacting its ability to provide services to its citizens, fulfill its mission and comply with the terms of its bond agreements. The Village's management, Mayor, and Board of Aldermen are working with the community and business leaders to review and monitor the cost reductions and adequacy of utility rates to improve the Village's financial condition come into compliance with bond covenants.

14. ASSET RETIREMENT OBLIGATION – SEWER TREATMENT FACILITY

As described in Note 1, the Village adopted GASB issued Statement No. 83 during 2019 which provides updated guidance on asset retirement obligations, including that of the Village's sewer treatment pond. Because the Village has a legal requirement to dismantle and remove the sewer treatment plant upon closure of the system's operations, the Village must estimate the future closure costs and record those amounts in the financial statements. The Village consulted with engineers to estimate the costs to dismantle and remove the sewer treatment plant. Those costs include removal and proper disposal of sludge, removal of structures and obstructions, backfill of the pond, cap the facility and grade to drain, and other contingencies. Considering these costs, engineers have estimated the closeout costs to be \$203,500. This amount has been reported as a long-term liability in the sewer utility fund. A corresponding deferred outflow has been recorded. Based on the facility's estimated remaining useful life of approximately 15 years, the remaining

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

14. ASSET RETIREMENT OBLIGATION – SEWER TREATMENT FACILITY (continued)

estimate of the deferred outflows has been reported at June 30, 2019. Additionally, amortization of the deferred outflow of \$4,070 has been reported as amortization expense. The Village has no assets restricted for payment of these liabilities at June 30, 2019.

15. SUBSEQUENT EVENT

Subsequent to year-end, the Village entertained and considered a proposal to sell its gas system to a private company. Consideration of the proposal is ongoing as of the date these financial statements were available to be issued, January 30, 2020. Should the gas operations be sold, the Village will no longer collect the gross revenue of the gas service but will also be relieved of certain present and future costs of operations and infrastructure maintenance and improvements. Revenue of \$70,783 was generated in 2019 by the gas system and costs of \$82,681 were incurred. While substantially all of the gas revenues will discontinue if the sale were to occur, cost reductions could vary. Such cost reductions have not been determined as of the date of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

See Independent Auditors' Report

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes-				
Property	\$ 20,000	\$ 20,350	\$ 21,346	\$ 996
Sales taxes	50,000	55,000	63,652	8,652
Electric franchise	30,000	25,000	31,754	6,754
Telephone franchise	1,100	650	805	155
Total taxes	<u>101,100</u>	<u>101,000</u>	<u>117,557</u>	<u>16,557</u>
Licenses and permits-				
Licenses	23,800	20,000	21,702	1,702
Permits	350	525	670	145
Total licenses and permits	<u>24,150</u>	<u>20,525</u>	<u>22,372</u>	<u>1,847</u>
Intergovernmental-				
State shared revenue:				
Beer tax	1,000	700	911	211
Grant revenue	-	-	4,893	4,893
Police supplemental pay	-	-	1,200	1,200
Total intergovernmental	<u>1,000</u>	<u>700</u>	<u>7,004</u>	<u>6,304</u>
Charges for services-				
State highway maintenance fees	3,200	3,200	3,200	-
Fines and forfeits	40,000	90,000	91,863	1,863
Investment income	3	10	23	13
Miscellaneous	1,500	1,900	4,185	2,285
Total revenues	<u>170,953</u>	<u>217,335</u>	<u>246,204</u>	<u>28,869</u>
Expenditures:				
Current -				
General government:				
Salaries, wages, and taxes	2,000	6,250	6,488	(238)
Utilities and telephone	15,000	17,100	17,068	32
Repairs and maintenance	8,000	10,500	10,002	498
Insurance	12,300	14,400	15,057	(657)
Printing and supplies	5,000	6,500	6,065	435
Professional services	22,500	7,100	12,894	(5,794)
Travel and training	9,000	10,500	9,749	751
Miscellaneous	4,425	7,425	2,859	4,566
Total general government	<u>78,225</u>	<u>79,775</u>	<u>80,182</u>	<u>(407)</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

See Independent Auditors' Report

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety:				
Salaries, wages, and taxes	10,500	13,000	13,566	(566)
Materials and supplies	9,500	9,000	12,780	(3,780)
Beeper	1,600	1,300	1,184	116
Repairs and maintenance	5,000	8,500	11,871	(3,371)
Insurance	7,500	9,000	9,182	(182)
Court cost	4,000	12,000	10,094	1,906
Miscellaneous	3,125	2,500	325	2,175
Total public safety	<u>41,225</u>	<u>55,300</u>	<u>59,002</u>	<u>(3,702)</u>
Public Works:				
Salaries, wages, and taxes	35,000	44,882	36,256	8,626
Materials and supplies	4,000	4,650	899	3,751
Professional services	1,500	1,000	3,110	(2,110)
Repairs and maintenance	2,000	-	608	(608)
Total public works	<u>42,500</u>	<u>50,532</u>	<u>40,873</u>	<u>9,659</u>
Debt service -				
Principal	-	500	450	50
Interest	-	-	100	(100)
Total debt service	<u>-</u>	<u>500</u>	<u>550</u>	<u>(50)</u>
Capital Outlay	<u>6,500</u>	<u>11,500</u>	<u>8,000</u>	<u>3,500</u>
Total expenditures	<u>168,450</u>	<u>197,607</u>	<u>188,607</u>	<u>9,000</u>
Other Financing Uses:				
Transfers out	<u>-</u>	<u>(143,233)</u>	<u>(223,576)</u>	<u>(80,343)</u>
Net change in fund balance	2,503	(123,505)	(165,979)	(42,474)
Fund balance, beginning	<u>-</u>	<u>14,321</u>	<u>173,053</u>	<u>158,732</u>
Fund balance, ending	<u>\$ 2,503</u>	<u>\$ (109,184)</u>	<u>\$ 7,074</u>	<u>\$ 116,258</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING

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

1. The Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget was originally submitted to the Board of Aldermen on June 14, 2018.
2. A public hearing was conducted to obtain taxpayer comments on June 26, 2018.
3. The budget was then legally enacted through passage of an ordinance on June 26, 2018.
4. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget is employed as a management control device during the year that assists its users in financial activity analysis.

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

SUPPLEMENTAL INFORMATION

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE MAYOR
FOR THE YEAR ENDED JUNE 30, 2019

Mayor: Anthony Borill (through December 2018)

Purpose	Amount
Salary	\$ 600
Payroll taxes	50
Workshops – reimbursements	292
Workshops – lodging	688
Training and seminar fees	250
	<u>\$ 1,880</u>

Mayor: Donald Popp (beginning January 2019)

Purpose	Amount
Salary	\$ 600
Payroll taxes	50
Workshops – reimbursements	321
Workshops – lodging	643
Training and seminar fees	312
	<u>\$ 1,926</u>

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

To the Honorable Donald Popp, Mayor
and the Board of Aldermen
Village of Estherwood, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana (the Village), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Estherwood's basic financial statements, and have issued our report thereon dated January 30, 2020.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-006 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 through 2019-003 to be significant deficiencies.



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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-004, 2019-005, and 2019-006.

Village's Response to Findings

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

Purpose of this Report

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

Postlethwaite & Netterville

Lafayette, Louisiana
January 30, 2020

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

(A) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified, with an emphasis of matters paragraph

Internal control over financial reporting:

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

Noncompliance material to the financial statements: Yes

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

2019-001 Segregation of Duties (repeated)

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

Condition: There is inadequate segregation of duties within the Village's accounting function. As a result, accounting clerks have the ability to handle cash and checks received by the Village as well as record and deposit these receipts into the accounting system and bank account. Each also reconciles selected bank accounts. We acknowledge the existence of certain mitigating controls, such as designation of tasks and roles whose functions do not conflict; however, the Village's ability to fully segregate all necessary tasks remains limited.

Cause: Entities with few employees in the accounting department typically have difficulty with establishing formal internal control procedures due to limited resources available.

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

Recommendation: Based on resources available within the Village's staff, the Village should continue the mitigating controls it has implemented.

View of Responsible Official and Planned Corrective Action

The Village understands the concerns of this finding however due to the small staff and the functions of the Village it is impossible to have complete segregation of duties. The Village has written procedures and does everything it can to establish controls procedures. We will review our procedures to see if any further controls can be implemented.

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

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

2019-002 Reserves and Financial Monitoring (repeated)

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

Condition: The Village's operating reserves have experienced decline. The primary cause of the decline in reserves is operating deficits of its proprietary (utility) funds. Since the Louisiana budget law does not require adoption of budgets for proprietary funds, the Village does not adopt budgets for the proprietary funds, nor does it prepare and review interim budget to actual financial statements for these funds. Adopting budgets and preparing and reviewing budget to actual financial statements are best practices for monitoring activity in these funds.

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

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

Recommendation: The Village should establish a formal, written plan of action on how to increase its operating reserves. This plan should include formal monitoring of the Village's finances, including adopting budgets and reviewing budget versus actual performance in the proprietary funds. Additionally, the Board should take action to ensure the operating deficits are eliminated, including raising utility rates, cutting costs, or both.

View of Responsible Official and Planned Corrective Action

The Village understands the concerns and will review the recommendations. We will work to develop a plan of action to address the financial concerns.

2019-003 Reconciliation of Police Citations

Criteria: The Village's policies and procedures should include internal controls relating to the tracking and reconciliation of citation receipts.

Condition: The Village does not have policies and procedures established to track police citations issued as compared to cash collections of citation receipts. While the Village's police department maintains records of ticket books issued and the citations therein at the time of issuance, the Village does not account for all ticket numbers thereafter.

Cause: The design of internal controls with respect to the police citation process is not adequate.

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

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

Effect: The design of internal controls is not adequate to ensure that all citations issued are sent to the Village office for processing and collection.

Recommendation: The police chief, or other assigned employee, should monitor ticket citation books to ensure police officers are issuing citations. Additionally, the Village should implement policies and procedures to track police citations sequentially, once issued, and compare cash collection of citations to the general ledger.

View of Responsible Official and Planned Corrective Action

The Village will work with the Police Chief to monitor ticket citation books and work on procedures to monitor the online ticketing payments.

2019-004 Local Government Budget Act

Criteria: Louisiana Revised Statute 39:1305 requires that the governmental funds' budgets include revenue and expenditures for the reporting year, the estimated fund balance at the beginning of the year, and the estimated fund balance at the end of the fiscal year. It also requires that the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year (i.e., the beginning fund balance and anticipated revenues).

Condition: The Village's adopted budget did not include accurate beginning of year and end of year fund balance amounts. Additionally, the Village's final amended budget proposed expenditures exceeding the total estimated funds available for the fiscal year.

Cause: The Village failed to take the necessary steps to ensure compliance with the requirements of Louisiana Revised Statute 39:1305.

Effect: The Village is not in compliance with the requirements of Louisiana Revised Statute 39:1305.

Recommendation: We recommend that the Village comply with the requirements of Louisiana Revised Statute 39:1305 and all requirements of the Local Government Budget Act.

View of Responsible Official and Planned Corrective Action

The Village is aware of the Budget Act and acknowledges its failure to properly amend the budget. Moving forward, Village staff will work with the accounting consultant to review budgets prior to adopting.

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

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

2019-005 Timely Submission of Audit Report to Legislative Auditor

Criteria: Under Louisiana Revised Statute 24:513, the Village is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles. The audit should be completed and filed with the Legislative Auditor of the State of Louisiana (LLA) by December 31 of each year (or the date specified by LLA).

Condition: The Village did not meet the required deadline for reporting to the State of Louisiana, which was identified as January 2, 2020 by LLA.

Cause: The Village's financial statements required additional analysis which was not able to be completed by the required deadline.

Effect: The Village is non-compliant with the state audit law with respect to timeliness of audit report submission.

Recommendation: We recommend that the Village complete all financial analysis timely and provide necessary documentation to the auditor timely in the future.

View of Responsible Official and Planned Corrective Action

Due to a cyberattack in August and the firing of the Town Clerk in early September, the Village was unable to prepare for the audit in a timely manner. Personnel have been hired to prevent the occurrence in the future.

2019-006 Bond Covenants

Criteria: The covenants of the Village's bonds payable require that the Village "fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the utility system (the System), and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each year sufficient to pay the necessary expenses of administering, operating and maintaining the System in each year, one hundred twenty percent (120%) of the principal maturing and interest and Administrative Fee due on the bonds in each year, all reserves or sinking funds or other payments required for such year by this Ordinance and all other obligations or indebtedness payable out of the revenues of the System for such year, and that such rates, fees, rents or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes."

Condition: The Village's utility rates are not at a sufficient level to cover expenses and other required items, as listed in the debt covenants.

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

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

Cause: The Village's management is not familiar with the terms of the bonds.

Effect: The Village is in violation of its bond covenants.

Recommendation: The Village should periodically review all bond covenants and ensure that the Village is in compliance. Additionally, the Village should develop a plan, in coordination with the holder of the bonds, to review utility rates and operating costs and make appropriate adjustments to come into compliance with the covenants.

View of Responsible Official and Planned Corrective Action

The Village will discuss with accounting contract personnel and the bond attorneys to ensure that the Village makes changes necessary to comply with bond covenants.

VILLAGE OF ESTHERWOOD, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2019

2018-001 Segregation of Duties and Utility Account Adjustments

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

Status: This finding is repeated in the current year at 2019-001, but its significance is lessened due to certain mitigating controls that were implemented. While the Village has hired an additional office employee to help with daily duties, the Village clerk has the ability to handle cash receipts as well as deposit those receipts and reconcile in the accounting system.

2018-002 Reserves and Financial Monitoring

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

Status: The Village's financial operations in proprietary funds has not had consistent improvement. Additional financial monitoring and a formal plan-of-action is needed to assist management and the Board in monitoring fiscal operations. This finding is repeated in the current year at 2019-002.

2018-003 Interfund Transactions/Balances

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

Status: Resolved. The advances made to the utility funds in previous years were written off as transfers during fiscal year 2019.



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A Professional Accounting Corporation

To the Honorable Donald Popp, Mayor
and the Board of Aldermen
Village of Estherwood, Louisiana

In planning and performing our audit of the financial statements of the Village of Estherwood (the Village) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the Village's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency of the Village. We previously reported on the Village's internal control in our report dated January 30, 2020. This letter does not affect our report dated January 30, 2020 on the financial statements of the Village.

Our recommendations are summarized in Appendix A, which also contains management's response to the recommendations.

This report is intended solely for the information and use of the Board, management, and others within the Village, and is not intended to be, and should not be, used by anyone other than these specified parties.

Postlethwaite & Netterville

Lafayette, Louisiana
January 30, 2020

CURRENT YEAR RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

2019-001 Monitoring of Adjustments, Delinquent Accounts, and Cutoff

The Village's current procedures require approval of the Mayor before adjustments to utility customer accounts are made. However, this approval is currently not documented in writing. We recommend that the Mayor's review and approval of utility adjustments be documented in writing by the Mayor.

The Village's current procedures also include review of delinquent accounts by Village staff and cutoff of services for those customers not having paid outstanding balances by the due date. This review and the list of customers for cutoff is not documented in writing and kept on file by the Village. We recommend that formal procedures be established to document review of delinquent accounts, a formal listing for cutoff, and documentation by a utility employee once the services have been terminated to customers on the listing. We also recommend that the Mayor review the listing of delinquent accounts and cutoffs and that the review be evidenced through signature.

Management's Response

Going forward, the Mayor will sign off on any adjustments that are made to a customer's account. The Village procedure for cutoffs are documented, but have not been signed off on. The Mayor has been reviewing the list every month. They have been kept with the monthly billing work. In the future, the Mayor and staff will sign off on any and all lists and they will be kept in a separate folder for that purpose.

2019-002 Cybersecurity

The value of information housed by governmental entities and recent attacks in entities around the county is driving more governmental entities to prepare for the potential of a cyberattack. The Village should ensure it has policies and procedures in place to prevent, detect, and respond to attacks or unauthorized access against its computer system and its information. The Village should continue to review this risk at least annually or when significant changes in software or hardware occur. The Village should also ensure that policies and procedures include information on storage of backups in a separate physical location isolated from the network, and also information on periodic testing/verification that backups of the system can be restored.

Management's Response

The Village purchases Norton 360 annually for security. Any suspicious activity will be reported to InfoTech immediately. InfoTech has been contracted to back up our systems to a cloud since the attack last year. In addition, office personnel have flash drives to back up each computer. Also, a separate external hard drive is in use and both the flash drives and external hard drive are stored in the safe. These are being used on a regular basis.

2019-003 Employee Timesheets

The Village's current policies and procedures do not require formal timesheets to be completed by employees. This condition can present challenges in ensuring appropriate pay for time worked, and expensing of those costs among the various funds of the Village. We recommend that timesheets be maintained by each employee to capture daily time worked and the activity and fund to which that time is to be charged. Timesheets should be reviewed and approved in writing by a supervisor, or the Mayor, each pay period.

Management's Response

A more accurate account of all work done will be documented for fund allotment in the future. The Village is looking into getting a time clock, so that time can be controlled. The Mayor will review and approve each week and sign off accordingly.

2019-004 Proposed Sale of Gas Operations

The Village is considering selling its gas operations and infrastructure. Such a sale could benefit the Village by way of relieving it of certain operating costs and the burden of maintenance and replacement of infrastructure over the long-term. However, sales of gas generated approximately \$70,000 of revenue for 2019. In order to achieve the intended benefits of the sale and to avoid burdening the other funds of the Village in the short-term, all costs associated with the system, including personnel costs that were allocated to the gas system fund, must also be eliminated. We recommend that the Village review all financial impacts of the proposed sale and adjust costs accordingly.

We also encourage the Village to perform due diligence and conduct appropriate analyses to ensure the Village receives fair consideration in the sale transaction.

The Village should also seek legal advice to ensure a sale of gas operations and infrastructure will not violate covenants of existing debt.

Management's Response

The Village's Board of Commissioners will consider available facts, including both financial considerations as well as other risks, when considering sale of the Village's gas operations. The Village is working with the bond attorney, a representative of a potential purchaser, and the Village attorney to discuss the proposed sale. We acknowledge revenue of \$70,000 which is generated through gas, but expenses exceeded revenue by \$11,000.

Independent Accountants' Report
On Applying Agreed-Upon Procedures
For the Year Ended 2019

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

We have performed the procedures enumerated below, which were agreed to by the Village of Estherwood (Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted.*" If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and Procedures

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

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

- k) *Disaster Recovery/ Business Continuity (1) identification of critical data and frequency of backups, (2) storage of backups in a separate physical location isolated from network, (3) periodic testing/ verification that backups can be restored, (4) use of antivirus software all systems, (5) timely application of all available system and software patches/ updates, (6) Identification of personnel, processes, and tools needed to recover operations after a critical event.*

The Village's written policies and procedures do not include attribute (2) storage of backups in a separate physical location isolated from the network and (3) periodic testing/verification that backups can be restored.

Board or Finance Committee

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

Bank Reconciliations

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

Collections

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

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure. For the single deposit site, we performed the procedures below.

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

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

From the listing provided, we selected the one collection location. Review of the Entity's written policies and procedures or inquiry with employees regarding job duties was performed in order to perform the procedures below.

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

No exceptions noted.

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

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

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

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

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

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

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

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

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

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

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

The Entity does not maintain sequentially pre-numbered receipts.

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

No exceptions noted.

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

No exceptions noted.

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

Seven of the ten deposits were not made within one business day of receipt at the collection location.

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

No exceptions noted.

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

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

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

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

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

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

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

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

No exceptions noted.

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

No exceptions noted.

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

Of the seven transactions selected for testing, five did not have written documentation of the business or public purpose.

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

14. 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.

No exception noted.

15. 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) and report any amounts that exceed GSA rates.

The Village's policy for per diem is that "Business meals incurred during overnight travel will be reimbursed for that location based on IRS allowable per diem rates." The Village's policy for mileage reimbursement is that mileage be paid "in accordance with the mileage allowance authorized in the State of Louisiana's Travel Guide in effect on the dates of travel."

16. Using the listing or general ledger from #14 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exception noted.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exception noted.

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

No exception noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exception noted.

- c) Compare the Village'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.

No exception noted.

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

No exception noted.

Contracts

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

Payroll and Personnel

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

Ethics

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

Debt Service

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

Other

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

Corrective Action

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

Written Policies and Procedures: *Village staff will review procedures and make corrective action to store backups offsite and to test backups.*

Collections: *Village staff will order numbered receipt books and monitor the sequence of numbers. Village staff are working on making deposits daily.*



Credit Cards/Debit Cards/Fuel Cards/P-Cards: Village staff are working to improve and monitor written procedures which require documentation and receipts for all credit card charges. The "5 W's" should accompany every receipt.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Sincerely,

Postlethwaite & Netterville

Lafayette, Louisiana
January 30, 2020

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

The Honorable Donald Popp, Mayor
Members of the Board of Alderman
Village of Estherwood, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Village of Estherwood, Louisiana (the Village), on the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the CDBG Project #3219-03 (A-1) as of and for the year ended June 30, 2019. The Village is responsible for the presentation of the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the CDBG Project #3219-03 (A-1) as of and for the year ended June 30, 2019 in accordance with accounting standards generally accepted in the United States of America. The sufficiency of these procedures is solely the responsibility of the Village. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Trace balances per the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Village and CDBG Project # 3219-03 (A-1) as of and for the year ended June 30, 2019 to the underlying records used in the audit of the financial statements of the Village as of and for the year ended June 30, 2019.

No exception were noted.

2. Verify the mathematical accuracy of the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Village and CDBG Project # 3219-03 (A-1) as of and for the year ended June 30, 2019.

No exception were noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report.



We were not engaged to, and did not, conduct an audit, examination or review, the objective of which would be the expression of an opinion on the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Village and CDBG Project # 3219-03 (A-1) as of and for the year ended June 30, 2019. 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 and is not intended to be and should not be used for any other purpose.

Postlethwaite & Netterville

Postlethwaite & Netterville
March 16, 2020

**Village of Estherwood
CDBG Project # 3219-03 (A-1)
Schedule of Net Position and
Schedule of Revenues, Expenses and Changes in Net Position
June 30, 2019**

Schedule of Net Position

Cash	<u>\$ 14</u>
Liabilities	<u>-</u>
Net Position	<u><u>\$ 14</u></u>

Schedule of Revenues, Expenses and Changes in Net Position

Grant Revenue	<u>\$ 18,563</u>
Engineering Expense	1,227
Construction Expense	<u>17,336</u>
	<u>18,563</u>
Change in Net Position	-
Beginning Net Position	<u>14</u>
Ending Net Position	<u><u>\$ 14</u></u>