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HILL, INZINA & COMPANY

RE: Village of Bonita, Louisiana
Revised Financial Report
June 30, 2018

In the first paragraph on page 35 of the revised report, 2017-9 was corrected to 2018-9.

The first two paragraphs under the "condition" section on page 39 of the revised report were corrected to include information from the audit for the year ended June 30, 2018. In the original report, the two paragraphs were not updated from the information from the audit for the year ended June 30, 2017.

/s/ Hill, Inzina & Co.

June 12, 2019

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 03 2019

REISSUE

VILLAGE OF BONITA, LOUISIANA

FINANCIAL REPORT

June 30, 2018

HILL, INZINA & COMPANY

Certified Public Accountants • A Professional Corporation
701 East Madison Avenue • Bastrop, Louisiana 71220
Telephone 318-281-4492 • Fax 318-281-4087 • E-mail hillinzina@bellsouth.net

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable Kathy Moses, Mayor,
and Members of the Board of Aldermen
Village of Bonita, 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 Village of Bonita, Louisiana (the "Village"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to

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design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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 as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information 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. The other supplementary 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

/s/ Hill, Inzina & Co.

November 28, 2018

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

VILLAGE OF BONITA, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018

As management of Village of Bonita, Louisiana (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended June 30, 2018. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Village's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or weakening. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the Village's net position changed during the most recent year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the citizenry of the Village.

The government-wide financial statements report governmental activities of the Village that are principally supported by tax revenues. Governmental activities include general administrative, sanitation, public safety (police), and public works (streets) services.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village as a whole with major funds being separately reported.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

In addition to the basic financial statements, the Village also includes in a subsequent section of this report additional information to supplement the basic financial statements.

The Village has two types of funds:

1. Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.
2. The proprietary fund is reported in the fund financial statements and generally reports services for which the Village charges customers a fee. The fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Village. Proprietary fund financial statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Government-Wide Financial Analysis

The following provides a summary of the net position (in thousands) of the Village as of June 30:

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 47	\$ 42	\$ 59	\$ 183	\$ 106	\$ 225
Capital assets	417	445	1,886	1,788	2,303	2,233
Total assets	<u>\$ 464</u>	<u>\$ 487</u>	<u>\$ 1,945</u>	<u>\$ 1,971</u>	<u>\$ 2,409</u>	<u>\$ 2,458</u>
Other liabilities	<u>\$ 1</u>	<u>\$ 21</u>	<u>\$ 47</u>	<u>\$ 160</u>	<u>\$ 48</u>	<u>\$ 181</u>
Net position:						
Invested in capital assets	\$ 417	\$ 445	\$ 1,886	\$ 1,788	\$ 2,303	\$ 2,233
Unrestricted	<u>46</u>	<u>21</u>	<u>12</u>	<u>14</u>	<u>58</u>	<u>44</u>
Total net position	<u>\$ 463</u>	<u>\$ 466</u>	<u>\$ 1,898</u>	<u>\$ 1,811</u>	<u>\$ 2,361</u>	<u>\$ 2,277</u>

As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. The Village will use the unrestricted net position to meet the ongoing obligations to users of its services and creditors.

The following summarizes the Village's net position changes (in thousands) between the two years ended June 30:

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 133	\$ 111	\$ 112	\$ 110	\$ 245	\$ 221
Operating grants and contributions	6	68	12	-	18	68
Capital grants and contributions	-	-	165	174	165	174
General revenues:						
Taxes	56	54	-	-	56	54
Unrestricted investment earnings and miscellaneous	11	5	-	-	11	5
Transfers in (out)	-	3	-	(3)	-	-
Total revenues	<u>\$ 206</u>	<u>\$ 241</u>	<u>\$ 289</u>	<u>\$ 281</u>	<u>\$ 495</u>	<u>\$ 522</u>
Expenses:						
Current	\$ 207	\$ 215	\$ -	\$ -	\$ 207	\$ 215
Debt service	1	-	-	-	1	-
Operating	-	-	201	171	201	171
Total expenses	<u>\$ 208</u>	<u>\$ 215</u>	<u>\$ 201</u>	<u>\$ 171</u>	<u>\$ 409</u>	<u>\$ 386</u>
Increase (decrease) in net position	<u>\$ (2)</u>	<u>\$ 26</u>	<u>\$ 88</u>	<u>\$ 110</u>	<u>\$ 86</u>	<u>\$ 136</u>

The Village's total revenues decreased by \$27,000 while the total cost of all programs and services increased by \$23,000. Operating and capital grants totaling \$183,000 were received during the year ended June 30, 2018 while \$242,000 in similar grants was received during the previous fiscal year. The Village's expenses cover a range of services with the majority related to personnel costs.

General revenues are those available for the Village to pay for the governmental activities. For the year ended June 30, 2018, taxes were the largest general revenue source for the Village. Sales taxes were the largest individual tax revenue source.

Program revenues derive directly from the program itself or from parties outside the Village's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the Village's general revenues.

Business-Type Activities

Operating expenses of the business-type activities for the year ended June 30, 2018 increased \$30,000 from the prior fiscal year while revenues generated by charges for services increased by only \$2,000.

Financial Analysis of Governmental Fund

As of June, 2018, the Village's governmental fund reported an ending fund balance of \$46,346, an increase of \$25,520 from \$20,826 as of June 30, 2017. The fund balance of the governmental fund is classified as unassigned as it is available for any purpose.

Budgetary Highlights

The Village made no amendments to its General Fund and Water and Sewer Fund budgets for the year ended June 30, 2018. There were no unfavorable variances of 5% or more in the budgeted revenues or expenditures of the General Fund.

Capital Assets

As of June 30, 2018, the Village had invested \$2.3 million in a broad range of capital assets, including land, buildings, vehicles, streets, and water and sewer systems. A sewer rehabilitation project funded with grant proceeds was the only capital asset addition and was completed during the year ended June 30, 2018.

Economic Factors and Next Year's Budget

Total revenue and expenditures in the Village's proposed budget for the General Fund for the year ending June 30, 2019 remained relatively unchanged from those adopted for the year ended June 30, 2018.

Requests for Information

This financial report is designed to provide a general overview of the Village's financial picture for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Clerk, P.O. Box 278, Bonita, Louisiana 71223.

BASIC FINANCIAL STATEMENTS

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF NET POSITION

June 30, 2018

ASSETS	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Totals</u>
Cash	\$ 47,546	\$ 29,719	\$ 77,265
Accounts receivable	-	10,293	10,293
Restricted assets:			
Cash	-	7,270	7,270
Certificate of deposit	-	12,139	12,139
Capital assets:			
Land	40,129	6,758	46,887
Other capital assets, net of depreciation	<u>376,550</u>	<u>1,879,680</u>	<u>2,256,230</u>
Total assets	<u>\$ 464,225</u>	<u>\$ 1,945,859</u>	<u>\$ 2,410,084</u>
LIABILITIES			
Accounts payable	\$ -	\$ 11,756	\$ 11,756
Payroll accruals and withholdings	1,200	18,769	19,969
Payable from restricted assets:			
Customers' deposits	<u>-</u>	<u>16,509</u>	<u>16,509</u>
Total liabilities	<u>\$ 1,200</u>	<u>\$ 47,034</u>	<u>\$ 48,234</u>
NET POSITION			
Invested in capital assets	\$ 416,679	\$ 1,886,438	\$ 2,303,117
Unrestricted	<u>46,346</u>	<u>12,387</u>	<u>58,733</u>
Total net position	<u>\$ 463,025</u>	<u>\$ 1,898,825</u>	<u>\$ 2,361,850</u>

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF ACTIVITIES
As of and for the Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Governmental activities:				
Current	\$ 207,129	\$ 132,873	\$ 6,000	\$ -
Debt service	903	-	-	-
Business-type activities:				
Water and sewer	<u>201,305</u>	<u>111,741</u>	<u>11,757</u>	<u>165,092</u>
Total government	<u>\$ 409,337</u>	<u>\$ 244,614</u>	<u>\$ 17,757</u>	<u>\$ 165,092</u>

General revenues:

Taxes:

Property

Franchise

Sales

Unrestricted investment earnings
and miscellaneous

Total general revenues

Changes in net positions

Net positions - beginning

Net positions - ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$(68,256) (903)	\$ -	\$(68,256) (903)
<u>-</u>	<u>87,285</u>	<u>87,285</u>
<u>\$(69,159)</u>	<u>\$ 87,285</u>	<u>\$ 18,126</u>
\$ 10,170 4,643 40,881	\$ - - -	\$ 10,170 4,643 40,881
<u>10,698</u>	<u>370</u>	<u>11,068</u>
<u>\$ 66,392</u>	<u>\$ 370</u>	<u>\$ 66,762</u>
\$(2,767)	\$ 87,655	\$ 84,888
<u>465,792</u>	<u>1,811,170</u>	<u>2,276,962</u>
<u>\$ 463,025</u>	<u>\$ 1,898,825</u>	<u>\$ 2,361,850</u>

VILLAGE OF BONITA, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

June 30, 2018

ASSETS

Cash	\$ <u>47,546</u>
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LIABILITIES

Payroll accruals and withholdings	\$ 1,200
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FUND BALANCE

Unassigned	<u>46,346</u>
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Total liabilities and fund balance	\$ <u>47,546</u>
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See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2018

Revenues:		
Taxes	\$	55,694
Licenses and permits		11,213
Intergovernmental		6,244
Fines and forfeitures		121,660
Interest and miscellaneous		10,454
Total revenues	\$	<u>205,265</u>
Expenditures:		
Current	\$	178,842
Debt service		903
Total expenditures	\$	<u>179,745</u>
Net change in fund balance	\$	25,520
Fund balance - beginning		<u>20,826</u>
Fund balance - ending	\$	<u>46,346</u>

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2018

Total fund balance - governmental fund balance sheet	\$ 46,346
Amounts reported for governmental activities in statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>416,679</u>
Total net position of governmental activities - government-wide statement of net position	<u>\$ 463,025</u>

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

June 30, 2018

Net change in fund balances - governmental funds \$ 25,520

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

The 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 as depreciation expense. This is the amount
of depreciation expense for the current period.

(28,287)

Changes in net position of governmental activities - government-wide
statement of activities

\$(2,767)

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF NET POSITION - PROPRIETARY FUND - WATER AND SEWER FUND
June 30, 2018

ASSETS

Current assets:		
Cash	\$	29,719
Accounts receivable		10,293
Noncurrent assets:		
Restricted assets:		
Cash		7,270
Certificate of deposit		12,139
Capital assets:		
Land		6,758
Other capital assets, net of depreciation		<u>1,879,680</u>
Total assets	\$	<u>1,945,859</u>

CURRENT LIABILITIES

Accounts payable	\$	11,756
Payroll accruals and withholdings		18,769
Payable from restricted assets:		
Customers' deposits		<u>16,509</u>
Total current liabilities	\$	<u>47,034</u>

NET POSITION

Invested in capital assets	\$	1,886,438
Unrestricted		<u>12,387</u>
Total net position	\$	<u>1,898,825</u>
Total current liabilities and net position	\$	<u>1,945,859</u>

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND - WATER AND SEWER FUND
As of and for the Year Ended June 30, 2018

Operating revenues:	
Water and sewer fees	\$ <u>111,741</u>
Operating expenses:	
Contract labor	\$ 19,151
Depreciation	67,144
Insurance	9,934
Office	1,284
Other	29,389
Repairs and maintenance	15,817
Salaries	24,936
Supplies	18,985
Taxes - payroll	1,908
Utilities	12,757
Total operating expenses	\$ <u>201,305</u>
Operating income (loss)	\$(<u>89,564</u>)
Nonoperating revenues (expenses):	
Interest	\$ 370
Grants	<u>176,849</u>
Total nonoperating revenues	\$ <u>177,219</u>
Change in net position	\$ 87,655
Net position - beginning	<u>1,811,170</u>
Net position - ending	\$ <u><u>1,898,825</u></u>

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND -
WATER AND SEWER FUND

As of and for the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 111,741
Nonoperating revenues	177,219
Payments to suppliers	(92,052)
Payments to employees	<u>(24,936)</u>
Net cash provided by operating activities	\$ 171,972
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificate of deposit	(90)
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(165,092)</u>
Net increase in cash	\$ 6,790
Cash - beginning	<u>30,199</u>
Cash - ending	<u><u>\$ 36,989</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$(89,564)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	67,144
Nonoperating revenues	177,219
(Increase) decrease in accounts receivable	(911)
(Increase) decrease in due from other governments	131,150
Increase (decrease) in accounts payable	(119,394)
Increase (decrease) in accrued salaries	(1,173)
Increase (decrease) in payroll accruals and withholdings	6,992
Increase (decrease) in liabilities payable from restricted assets	<u>509</u>
Net cash provided by operating activities	<u><u>\$ 171,972</u></u>

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

Note 1. Organization and Summary of Significant Accounting Policies

Village of Bonita, Louisiana (the "Village"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor (at large) and three council members (by districts) who are each compensated monthly. The Village is located in northeast Louisiana, its population is approximately 300, and it employs four part-time and two full-time employees along with the mayor and council members. As of June 30, 2018, the Village services approximately 150 utility customers and maintains approximately five miles of streets.

The Village provides general administrative, public safety (police), public works (streets), sanitation (water and sewer), and public improvements.

GASB Statement No. 14, *The Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Village is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statements No. 14 and 39, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the Village has determined that Sewer District No. 1 of Village of Bonita, Louisiana, is a component unit of the reporting entity. As required by generally accepted accounting principles (GAAP), these financial statements present the primary government (the Village) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantively the same, or the organization must provide services entirely or almost entirely to the municipality.

Considered also in the determination of component units of the reporting entity were Tenth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana, and Tenth Ward Volunteer Fire Department. It was determined that this governmental and volunteer entity, respectively, are not component units of the Village's reporting entity.

The more significant of the Village's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Village as a whole. The statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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 and program revenues associated with a distinct functional activity. Program revenues include: (a) charges for services which report licenses, permits, fees, fines, forfeitures, and other charges to users of the Village's services; (b) operating grants and contributions which finance annual operating activities; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Village are prepared in accordance with GAAP. The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassifications or eliminations of internal activity (between or within funds). However, internal eliminations do not include services provided to Village departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt, as well as expenditures related to compensated absences, which are reported as expenditures only when payment is due.

Major revenue sources susceptible to accrual are property taxes, sales taxes, intergovernmental revenues, and water and sewer fees. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statement includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues are classified as nonoperating in the financial statement.

NOTES TO FINANCIAL STATEMENTS

Fund Type and Major Fund:

The Village reports the following major governmental fund:

General Fund - the general operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

The Village reports the following major proprietary fund:

Water and Sewer Fund - accounts for operations where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Budgets and Budgetary Accounting:

The Village's clerk provided annual budgets for the General Fund and Water and Sewer Fund that were formally adopted in the minutes of the June 6, 2017 meeting of the Board of Aldermen. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The Village's clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. No amendments were documented as being made to either budget and the budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts of the General Fund. All annual appropriations lapse at fiscal year end.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Cash and Certificates of Deposit:

Cash includes amounts in demand and time deposits. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State law allows the Village to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

The certificate of deposit is reported at cost, which approximates market value.

Receivables:

Significant receivables include sales taxes and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are estimated and included in the amounts recorded as due from utility customers.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. Village management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Restricted Assets/Liabilities:

Meter deposits collected from utility customers are restricted to payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

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 needed.

NOTES TO FINANCIAL STATEMENTS

Interfund Transactions:

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as transfers between funds of the reporting entity.

Capital Assets and Depreciation:

Capital assets, which include property, plant, equipment, and infrastructure assets with useful lives of more than one year are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$5,000 or more for capitalizing capital assets.

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

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and vehicles	5 - 40 years
Streets and drainage	50 years
Water and sewer systems	15 - 40 years

NOTES TO FINANCIAL STATEMENTS

Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the Village, accrued on an employment anniversary basis, and accrued to specified maximums.

The Village's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

No material liability existed as of June 30, 2018 for accrued compensated absences resulting from unused vacation time at the end of the year and no liability was recorded for non-vesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the fund responsible for the employee's compensation.

NOTES TO FINANCIAL STATEMENTS

Equity Classifications:

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

1. Invested in capital assets - consists of capital assets net of accumulated depreciation.
2. Restricted - consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provision or enabling legislation.
3. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund equity is classified as fund balance. These statements provide more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Village's fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition - Property and Sales/Use Taxes:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October, are actually billed to the taxpayers in November, and are due and payable on or before December 31 of the same year or the unpaid taxes become delinquent. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish.

Sales/use taxes collected and held by other governments at year end on behalf of the Village and those collected by other governments and remitted to the Village within 60 days after December 31 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the Village.

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the Village as of June 30, 2018:

Non-interest bearing demand deposits	\$	55,401
Interest bearing deposits		29,134
Time deposits		<u>12,139</u>
	\$	<u>96,674</u>

Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held jointly in the name of the pledging fiscal agent bank and the Village in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2018, the Village had \$112,072 in deposits (collected bank balances). These deposits were adequately secured from risk by \$250,000 of federal deposit insurance.

There were no repurchase or reverse repurchase agreements as of June 30, 2018.

The Village had not formally adopted deposit and investment policies as of June 30, 2018 that limit the Village's allowable deposits or investments and address the specific types of risk to which the Village might be exposed.

NOTES TO FINANCIAL STATEMENTS

Note 3. Property and Sales Taxes

For the year ended June 30, 2018, property taxes of 8.37 mills were authorized and levied for general corporation purposes on property with assessed valuations totaling \$314,291. The levy is perpetual.

The following are the principal property taxpayers for the Village:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Property Tax Revenue</u>
Northeast Louisiana Telephone Co.	\$ 390,386	29.5 %	\$ 3,268
Union Pacific Corp.	173,460	13.2%	1,452

Total property taxes levied were \$11,001 and as of June 30, 2018; all had been collected and were recorded as property tax revenue.

For the year ended June 30, 2018, 2% of sales and use taxes were levied, 1% for any lawful corporate purposes and 1% to support the General Fund. The tax levy for lawful corporate purposes will expire June 30, 2020 and the other has an indefinite expiration.

Note 4. Restricted Assets and Liabilities Payable from Same

Restricted assets of \$19,409 of the Proprietary Fund consist of meter deposits collected from utility customers. A related liability of \$16,509 has been recorded for the payment of amounts that will be owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets and Depreciation

Capital assets and depreciation activity as of and for the year ended June 30, 2018 for the Village is as follows:

	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 40,129	\$ -	\$ -	\$ 40,129
Capital assets being depreciated:				
Buildings and improvements	\$ 115,431	\$ -	\$ -	\$ 115,431
Equipment and vehicles	116,561	-	-	116,561
Streets and drainage	<u>816,556</u>	<u>-</u>	<u>-</u>	<u>816,556</u>
Total capital assets being depreciated	<u>\$1,048,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,048,548</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 78,611	\$ 2,309	\$ -	\$ 80,920
Equipment and vehicles	66,794	9,746	-	76,540
Streets and drainage	<u>498,306</u>	<u>16,232</u>	<u>-</u>	<u>514,538</u>
Total accumulated depreciation	<u>\$ 643,711</u>	<u>\$ 28,287</u>	<u>\$ -</u>	<u>\$ 671,998</u>
Total capital assets being depreciated, net	<u>\$ 404,837</u>	<u>\$(28,287)</u>	<u>\$ -</u>	<u>\$ 376,550</u>

Depreciation expense of the governmental activities is included in the current function in the statement of activities.

NOTES TO FINANCIAL STATEMENTS

	Balance July 1, <u>2017</u>	<u>Increases</u>	Reclassify/ <u>Decreases</u>	Balance June 30, <u>2018</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 6,758	\$ -	\$ -	\$ 6,758
Construction in progress	<u>173,558</u>	<u>165,092</u>	<u>(338,650)</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 180,316</u>	<u>\$ 165,092</u>	<u>\$(338,650)</u>	<u>\$ 6,758</u>
Capital assets being depreciated:				
Water and sewer systems	\$2,596,011	\$ -	\$ 338,650	\$2,934,661
Equipment and vehicles	<u>113,402</u>	<u>-</u>	<u>-</u>	<u>113,402</u>
Total capital assets being depreciated	<u>\$2,709,413</u>	<u>\$ -</u>	<u>\$ 338,650</u>	<u>\$3,048,063</u>
Less accumulated depreciation for:				
Water and sewer systems	\$1,052,215	\$ 60,097	\$ -	\$1,112,312
Equipment and vehicles	<u>49,024</u>	<u>7,047</u>	<u>-</u>	<u>56,071</u>
Total accumulated depreciation	<u>\$1,101,239</u>	<u>\$ 67,144</u>	<u>\$ -</u>	<u>\$1,168,383</u>
Total business-type assets being depreciated, net	<u>\$1,608,174</u>	<u>\$(67,144)</u>	<u>\$ 338,650</u>	<u>\$1,879,680</u>

Note 6. On-Behalf Payments for Salaries

For the year ended June 30, 2018, the Village recognized revenue and expenditures of \$6,000 in salary supplements from State of Louisiana paid to an employee of the police department.

NOTES TO FINANCIAL STATEMENTS

Note 7. Contingencies and Risk Management

As of June 30, 2018, the Village was not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that were required to be accrued or disclosed in these financial statements. Legal counsel had not been consulted by the Village concerning litigation, claims, or assessments.

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

The Village occasionally participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of Village management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 8. Subsequent Events

Subsequent events were evaluated through November 28, 2018, which is the day the financial statements were available to be issued, and it was determined that no significant events had occurred requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

VILLAGE OF BONITA, LOUISIANA

BUDGETARY COMPARISON SCHEDULE -
 GOVERNMENTAL FUND - GENERAL FUND
 As of and for the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 59,000	\$ 59,000	\$ 55,694	\$(3,306)
Licenses and permits	12,550	12,550	11,213	(1,337)
Intergovernmental	290	290	6,244	5,954
Fines and forfeitures	115,400	115,400	121,660	6,260
Interest and miscellaneous	1,250	1,250	10,454	9,204
Total revenues	<u>\$ 188,490</u>	<u>\$ 188,490</u>	<u>\$ 205,265</u>	<u>\$ 16,775</u>
Expenditures:				
Current	\$ 188,490	\$ 188,490	\$ 178,842	\$ 9,648
Debt service	-	-	903	(903)
Total expenditures	<u>\$ 188,490</u>	<u>\$ 188,490</u>	<u>\$ 179,745</u>	<u>\$ 8,745</u>
Net change in fund balance	\$ -	\$ -	\$ 25,520	\$ 25,520
Fund balance - beginning	-	-	20,826	20,826
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,346</u>	<u>\$ 46,346</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF BONITA, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended June 30, 2018

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the board members is included in the general government expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

<u>Name and Title</u>	<u>Compensation</u>
Kathy Moses, Mayor	\$ 6,000
Richard D. Polk, Alderman	1,200
Margarite B. Sampson, Alderman	1,200
Linda Bruce, Alderman	<u>1,200</u>
Total mayor's and aldermen's compensation	<u>\$ 9,600</u>

VILLAGE OF BONITA, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and For the Year Ended June 30, 2018

Agency Head Name: Mayor Kathy Moses

<u>Purpose</u>	<u>Amounts</u>
Salary	<u>\$ 6,000</u>

HILL, INZINA & COMPANY

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

Honorable Kathy Moses Mayor,
and Members of the Board of Aldermen
Village of Bonita, 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 Village of Bonita, Louisiana (the "Village"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-1, 2018-4, 2018-6, and 2017-9, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of 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 questioned costs as items 2018-2, 2018-3, 2018-5, 2018-7, and 2018-8.

Village's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

This report is intended solely for the information and use of management, the council members, others within the Village, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

/s/ Hill, Inzina & Co.

November 28, 2018

VILLAGE OF BONITA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended June 30, 2018

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Bonita, Louisiana (the "Village"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 28, 2018. 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. Our audit of the financial statements as of June 30, 2018 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

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*

Internal Control

Significant Deficiencies Yes No Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

Section II - Financial Statement Findings

2018-1 Inadequate Segregation of Duties (repeated citing of predecessor auditor)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

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

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We are unable to effect an ideal segregation due to limited staffing. However, we will continue to implement the recommendations as we are able.

2018-2 Net Operating Loss in Proprietary Fund (repeated citing of predecessor auditor)

Criteria: The Village should fix and maintain rates and collect charges for all services and facilities to be rendered by the water and sewer system sufficient to provide for the payment of the reasonable and necessary expenses of administration, operation, and maintenance of the system.

Condition: The Village's Proprietary Fund continues to incur operating losses each fiscal year, the current operating loss being \$89,564.

Cause: The current rate structure is insufficient to provide for the payment of the reasonable and necessary expenses of administration, operation, and maintenance of the water and sewer system.

Actual operating revenues of the Proprietary Fund for the year ended June 30, 2018 were \$111,741 versus \$116,635 budgeted. Likewise, actual operating expenditures were \$201,305 compared to \$116,635 budgeted.

Effect: The Village continues to incur operating losses.

Recommendation: The Village should consider increasing rates that will be sufficient to provide for the reasonable and necessary expenses of operating and maintaining the system. Also, the Village should monitor the Proprietary Fund's budget to minimize the risk of operating expenses exceeding revenues generated by the system.

Management's
response and
planned cor-
rective action:

We will continue to evaluate the operations of the utilities, and monitor income and expenses. We will also monitor the Proprietary Fund as well. The Board of Aldermen and Mayor have made plans to consider a possible water rate increase. We have made contact with Louisiana Rural Water Association on this matter. We will continue to seek the best information on this matter.

2018-3 Noncompliance with Local Government Budget Act (repeated partial citing of predecessor auditor)

Criteria: During the 2010 Louisiana Legislative regular session, requirements were added to the state budget law effective January 1, 2011. A budget is to include a clearly presented side-by-side detailed comparison of information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.

Condition: The budget format used by the Village is not compliant with the mandated changes.

Cause: The Village has not complied with the changes mandated for the budget presentation.

Effect: The Village is in violation of the Local Government Budget Act and the related statutes.

Recommendation: The Local Government Budget Act and related statutes should be reviewed to ensure compliance with all requirements.

Management's response and planned corrective action: We will continue to adopt, monitor, and ensure compliance with all requirements. After going to Baton Rouge in October of this year and speaking with the Legislative Audit Advisory Committee, we were advised to try to use the budget format from the Legislative Auditor's website for future references. Although the budget was good, it just needed to be a little more detailed. We would like to thank the advisors for helping, advising, and informing during our visit.

2018-4 Inadequate Purchase Procedures (repeated citing of predecessor auditor)

- Criteria:** Management is responsible for establishing and implementing internal control policies and procedures to ensure that purchases are (1) reasonable and necessary; (2) budgeted; (3) documented and approved; (4) received and safeguarded; and (5) used solely for the public purposes/functions of the Village.
- Condition:** In a random selection of 29 disbursements totaling \$15,002 made by the Village during the year ended June 30, 2018, four (8% of the total dollar examined and 14% of the total number examined) were not signed by the employee of the Village responsible for receiving the products/services on behalf of the Village.
- Of the same 29 disbursements selected, seven should have had purchase orders issued but none were issued.
- Checks require only one signature and the majority of the time that one signature is that of the Village's clerk, except for payroll, for which the Mayor is the only signature the majority of the time.
- The Mayor's signature stamp was noted on some invoices, statements, etc. but that is not sufficient proof that the Mayor actually reviewed the documents.
- Cause:** Management of the Village has not accepted the value of establishing internal control policies and requiring all employees' adherence thereto.
- Effect:** The failure to establish or to adhere to internal control policies and procedures could result in a loss of assets from transactions that are not in accordance with management's authorization.
- Recommendation:** Management needs to implement a purchase order system that requires certain documentation to be generated before a purchase can be made and before a disbursement is made. Payments to vendors should not be made until adequate supporting documentation and evidence of receipt have been provided. Although the Board of Aldermen approve the payment of bills at each monthly meeting, the mayor or a member of the board should personally review all bills before payment.

Management's
response and
planned cor-
rective action:

We have implemented a purchase order system and will continue to review and evaluate the procedures with the guidelines. Any purchase made for \$300 or more is required to have a purchase order and to be signed by the Mayor or a board member. The Mayor does use a signature stamp from time to time and also signs off. Only emergency situations will be accepted in this case. We do sometimes have invoices that are over the amount set because of an emergency situation has occurred. We will continue to monitor.

2018-5 Untimely Payments (initially cited as of and for year ended June 30, 2015)

Criteria: Payroll and related costs are generally the largest expenditures of the Village. Therefore, it is of utmost importance that payroll tax deposits are timely made.

Condition: As of June 30, 2018 and for the fiscal year then ended, only one quarter of the Form 941 taxes had been paid to the Internal Revenue Service (IRS). \$19,270 was paid in August and September of 2018 as payment in full for the three remaining quarters.

During the year ended June 30, 2018, all of the previous fiscal year's Form 941 payroll taxes totaling \$31,242 were paid. As of the date of this report, notices had not been received from the IRS as to the penalties and interest for late payments of all the current and previous years' taxes.

\$1,275 of penalties and interest assessed on the September 30, 2017 Form 941 were paid during the year ended June 30, 2018.

Cause: Funds necessary to pay the payroll taxes when originally due were not available.

Effect: The untimely payment of the payroll related taxes and withholdings may result in the assessment of penalties and interest at rates set by law.

Recommendation: Payroll taxes should be paid timely to avoid additional costs related to late payments.

Management's
response and
planned cor-
rective action:

The Village previously made contact with the Internal Revenue Service in reference to the outstanding taxes. We will continue to monitor and remit taxes for each future pay period as they become due. All taxes are current at this time.

2018-6 Utility Fund Billings/Collections (initial citing)

Criteria: Water and sewer billings are the largest source of revenue for the Proprietary Fund and require adequate controls for the accounting and processing of these billings and collections.

Condition: The accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable customer listing. The detailed report dated June 30, 2018 provided for the audit showed a negative "current" balance of \$229 and "over 120" positive balance of \$5,213.

The units of water produced are not reconciled monthly with the units of water billed to customers. The water consumption report for the month of March 2018 showed a negative 2,405,286 gallons.

Reference was made in the minutes of the council meeting held on June 5, 2018 that problems were occurring with residents tampering with meters.

Cause: The utility billing clerk resigned at the end of February 2018 and since then the Village's clerk has been responsible for billing and collecting along with all other duties.

Effect: Not reconciling the detailed accounts receivable customer listing to the balance in the general ledger on a monthly basis is a fraud risk factor.

Not reconciling production with units consumed (billed) may result in oversight of significant water line leaks, inaccurate meters or meter readings, and unauthorized or non-metered water usage.

Recommendation: The Village should seriously consider hiring a part-time employee to be responsible for the utility billings and collections with oversight by the Village's clerk and/or the mayor.

The software should be updated or replaced.

Management's
response and
planned cor-
rective action:

The Village does reconcile the accounts receivable on a monthly basis as always. The consumption for the two months were expected to be unusual, due to adjustment from a previous freeze during those months. The previous water clerk walked off her job during this time without any prior notice. The town clerk took on the responsibility to continue to endure the test of trying to keep everything going. This was not an easy test for her but due to the previous water clerk walking out suddenly, business had to continue. This was something beyond the Mayor's control The Village will consider hiring a water clerk in the future. We will continue to monitor.

2018-7 Questionable Transaction (initial citing)

Criteria: Purchase of property should only be made after the formal approval of the majority of the Board of Aldermen.

Condition: The purchase of property owned by Morehouse Parish School Board was initially mentioned in the minutes of the board's meeting under "old business" at the July 23, 2018 meeting.

In the minutes of the board's meeting held on August 7, 2018, it was recorded under "unfinished business" that the school property was bid on and purchased by the Village. Also recorded was that a "...resolution to purchase the Old Bonita School Property was agreed and to be signed...". No formal action was documented in the minutes as being taken by the board relative to this resolution.

Resolution No. 0818-01 dated August 7, 2018 authorizing the Village to purchase the above mentioned property states "...be it resolved, by the Board of Aldermen, in legal session convened, that the mayor is authorized to sign the deed on behalf of the village, accepting on behalf of the village the amount of \$10,001...". The resolution lists all three of the aldermen voting "yeas" in favor of the resolution while according to the minutes of the meeting, one alderman was absent. No formal action was documented in the minutes as being taken by the board relative to the adoption of this resolution.

Resolution No. 0818-02 also dated August 7, 2018 authorizing the Village "...to enter into and execute all documents necessary and proper to acquire by act of sale..." the above mentioned property listed the one alderman as absent. Again, no formal action was documented in the minutes as being taken by the board relative to this resolution.

Copies of neither of the formal resolutions provided to the auditor had signatures. The first had an alderman's common name scratched through with his legal name penciled in. A sworn affidavit was provided to the auditor attesting to the fact that a conversation between the Village's mayor and clerk was overheard with the mayor stating that "...I'm going to let the citizens know that he wouldn't sign..." with the clerk responding "...well I know how he signs his name on paperwork...". The names referenced in this overheard conversation match those penciled in as mentioned earlier in this paragraph.

Cause: It appears that the mayor took legal action to purchase real property without approval of the majority of the board's members.

Effect: Misappropriation of assets possibly may result in legal action.

Recommendation: Approval of the majority of the aldermen should be legally obtained and formally documented before contracting to purchase land.

Management's
response and
planned cor-
rective action:

The purchase of the old school property was discussed and agreed upon by the board, that the Mayor do whatever and gather any information needed necessary to purchase of property for the Village. The Mayor gathered all known information for the property. The information was presented to the board at one of the meetings and their response was "do what you have to do". A resolution was put in place, agreed on, and to be signed. All the board agreed on the property. Although one board member was absent on the day the resolution was presented to be signed in the month of July 2018. Everything was done correctly. This is a process for the Village with a plan that this Village will grow in grace.

2018-8 Misuse of Public Funds and Publicly Owned Property (initial citing)

Criteria: Public funds are to be expended only for the benefit of the general public.

Condition: Employees of the Village along with equipment owned by the Village were used on numerous occasions to maintain lawns and private property of local citizens.

Upon the auditor's inquiry as to when reimbursements made by the citizens were deposited, the response was "no one came forth to pay or donate and when and if they do, it would go to General Fund".

An employee of the Village was allowed to drive the Village owned vehicle to and from his residence 30 miles away.

The police chief was reimbursed for four meals while attending a conference where meals were included and paid for with the registration fee. The travel voucher signed by the police chief specifically stated that "meals prepaid as part of the event cannot be reimbursed". The amounts reimbursed for lunch and dinner meals along with the hotel charges exceeded the per diem rates set by the U.S. General Services Administration for the state of Louisiana. Also noted was that the total reimbursement due on the travel voucher was overstated by \$30.

A part-time police officer was paid for some hours at an overtime rate.

An invoice was paid for labor and materials for repairs at the municipal center but no receipts were provided for the actual material costs.

A piece of equipment owned by the Village was sold after one "silent" bid was received.

Cause: The Mayor was aware of all instances.

Effect: Misappropriation of assets possibly may result in legal action.

Recommendation: Any personal use or misappropriation of assets of the Village should result in termination of employment and possible legal action.

Management's
response and
planned cor-
rective action:

The Village has not misused any public funds. In reference to the mowing, the Village has not misused their property. Usually if someone's property is all grown up, the Village tries to reach out to them by calling or sending a letter out to the residents of that property. If no response to either, to keep down animals and the mosquitoes from multiplying, maintenance will do what is necessary to keep the Village looking great. At the end of the year, the cost will be added to the owner's property taxes.

2018-9 Traffic Tickets (initial citing)

Criteria: Properly accounting for traffic tickets is important to ensure (1) collection of traffic fees or appropriate action for non-payment is taken; (2) compliance with state laws; and (3) misappropriation of assets or fraud does not occur.

Condition: There is no monthly accounting, including reconciliation, of the final disposition (received payment, reduced fine, dismissed, bench warrant issued, etc.) of citations issued.

Documentation provided to the auditor by the Village's clerk stated that approximately 28 ticket books (25 tickets each) were issued to officers in sequential order. Comparison was made to records maintained by one of the officers that agreed to the clerk's records of the ticket books issued.

With the auditor being informed and in part confirming that approximately 700 tickets were issued at an average fine of \$242, revenues from court fines were projected to total approximately \$169,400 while the actual revenues recorded were \$121,660, a difference of \$47,740.

It was recorded in the minutes of the aldermen's meeting held on April 7, 2015 that cash payments would no longer be accepted, only money orders or checks. Upon inquiry of the Village's clerk during the current audit's fieldwork, it was disclosed that at times cash is accepted for payments of fines. It was verified while performing various procedures for the current audit that cash was collected for traffic fines.

Cause: Management of the Village has become lenient as to accounting, reconciling, and collection policies related to traffic tickets.

Effect: Misappropriation of assets possibly may result in legal action.

Recommendation: All traffic tickets should be timely and properly accounted for and payments reconciled on a monthly basis.

Management's
response and
planned cor-
rective action:

The clerk does reconcile its payments with citation tickets on our computer system, and also through our N-Court. For all the tickets of this fiscal year were in the system, but some citations were thrown out, or dismissed. Some citation gets reduced, to other violation that causes the fine amount to be changed, and this is to be done only by our prosecuting attorney. Some of our citations are sent to the state due to noncompliance or failure to pay. Once these citations are sent to the state, the Village does not know when and if the citation will be paid. Some citation will sit for a long period of time, maybe years before payment is made. We will continue to monitor.

Management Letter

None issued.

VILLAGE OF BONITA, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended June 30, 2018

Financial Statement Findings

2017-1	Inadequate Segregation of Duties	
	Adequate segregation of duties is essential to a proper internal control structure.	Unresolved - 2018-1.
2017-2	Net Operating Loss in Proprietary Fund	
	The Proprietary Fund continues to incur operating losses.	Unresolved - 2018-2.
2017-3	Noncompliance with Local Government Budget Act	
	The General Fund's budget was not formally and timely adopted nor was it amended as required by the Local Government Budget Act. The budget format used by the Village was not compliant with the act.	Partially resolved - 2018-3.
2017-4	Inadequate Purchase Procedures	
	Invoices were not signed by the employee of the Village responsible for receiving the products/services. The purchase order system that has been implemented by the Village is not adhered to. Checks require only one signature.	Unresolved - 2018-4.
2017-5	Untimely Payments	
	The Village was not current on payment of federal payroll taxes.	Unresolved - 2018-5.

2017-6 Capital Lease

The Village entered into a non-cancellable lease agreement that did not contain a non-appropriation clause and without prior approval of the Louisiana State Bond Commission.

Resolved.

2017-7 Public Bid Law

A capital lease agreement was not subjected to the Public Bid Law.

Resolved.

Management Letter

None issued.