

REPORT

VILLAGE OF VARNADO, LOUISIANA

General Purpose Financial Statements  
As of and for the Year  
Ended December 31, 2016

With Supplemental Information Schedules

*Minda B. Raybourn*

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VILLAGE OF VARNADO, LOUISIANA  
 Financial Statements  
 As of and for the Year Ended December 31, 2016  
 With Supplemental Information Schedule

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## Management's Discussion and Analysis

# *Minda B. Raybourn*

*Certified Public Accountant  
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MEMBER  
A.I.C.P.A.

MEMBER  
L.C.P.A.

Mayor and Board of Aldermen  
Village of Varnado, Louisiana

Management is responsible for the accompanying financial statements of the governmental activities, of the Village of Varnado, Louisiana as of and for the year ended December 31, 2016, and related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to my compilation engagement, however, I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

The supplementary information contained in the Other-Supplemental Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information

I am not independent with respect to the Village of Varnado.

*Minda Raybourn*

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Minda B. Raybourn  
Certified Public Accountant  
June 17, 2017

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**  
**Management's Discussion and Analysis**

**Introduction**

The Village of Varnado is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standard Board Statement No. 34, Basic Financial Statements - Management 's Discussion and Analysis – For State and Local Governments (hereinafter referred to as GASB 34) and related standards.

**Financial Highlights**

- Total assets for the year were \$302,439 at December 31, 2016 and exceeded liabilities in the amount of \$299,221 (i.e., Net Position). Of the total net position, \$148,635 was unrestricted and available to support short-term operations, with the balance invested in capital assets net of related debt.
- Revenues consist of ad valorem tax, sales taxes, refund on landfill operation, and fines and other fees. The total revenues for the fiscal year ending December 31, 2016 were \$135,185 representing an approximate increase of 4% from total revenues for fiscal year ending December 31, 2015 of \$129,448.
- The Village's operating expenditures for the governmental funds consists of those expenditures resulting from the Village's ongoing operation. Governmental operating expenditures were \$135,208 compared to 2015 expenditures of \$153,101. The decrease is primarily due to the 2015 capital outlay for land for \$15,070 and street overlay of \$21,145. In the Government-Wide Statement of Activities, the total expenses are \$139,999. The Government-Wide Statement of Activities recorded depreciation expense of \$14,590. The difference between Government-Wide and Governmental Fund expenses was the depreciation and the capital outlay, as shown on the reconciliation on page 13.
- The Village of Varnado had no long-term debt activity for the year ended December 31, 2016, and no outstanding long-term debt at year-end.

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**  
**Management's Discussion and Analysis**

**Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The Village's basic financial statements are comprised of three components: 1) Government-Wide Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to private-sector business. These financial statements are reported using the full accrual accounting method.

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Position and the Statement of Activities display information about the Village as a whole. These statements distinguish between those activities of the Village that are governmental and those that are considered business type activities.

**Fund financial statements** A fund is a grouping of related accounts that is used to maintain control over resource that has been segregated for specific activities or objectives. The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The modified accrual basis of accounting is used by the governmental funds.

**Notes to financial statements** The notes to the financial statements provide required disclosure, essential to the understanding of the financial statements. The notes present information, about the Village's accounting policies, significant account balances, and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule.

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**  
**Management's Discussion and Analysis**

**Financial Analysis**

**Statement of Net Position**

Included below is a condensed Statement of Net Position for the Village. The condensed format allows the reader to view the overall financial position of the Village. An explanation of the components of this statement is included immediately following the table.

**Condensed Statement of Net Position:**

	December 31 2015	December 31 2016	Dollar Change	Percent Change
Total Assets	\$ 306,861	\$ 302,439	\$ (4,422)	-1.44%
Total Liabilities	2,826	3,218	392	14%
Net Position:				
Invested in capital assets				
Net of related debt	155,378	150,586	(4,792)	-3.08%
Unrestricted	148,657	148,635	(22)	-0.01%
Total Net Position	304,035	299,221	(4,814)	-1.58%

**Review of Government-Wide Condensed Statement of Net Position**

The composition of Net Position and the change in Net Position over time serves as a useful indicator of a government's financial position. The Village's assets at fiscal year-end exceeded liabilities by \$299,221 (Net Position). Of the Village's Net Position, \$150,586 is Restricted Net Position for amounts "Invested in Capital Assets net of Related Debt" and with the balance of \$148,635 in "Unrestricted Net Position".

The category of Net Position for "Invested in Capital Assets Net of Related Debt" reflects the total invested in capital assets (land, buildings, equipment, and infrastructure) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent assets available for future spending.

Unrestricted Net Position are the resources available to meet the ongoing needs of the Village.

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**  
**Management's Discussion and Analysis**

**Condensed Statement of Activities:**

	December 31 2015	December 31 2016	Dollar Change	Percent Change
<b>Governmental Activities:</b>				
General Government	\$ 56,071	\$ 59,826	\$ 3,755	6.70%
Public Safety	50,603	48,923	(1,680)	-3.32%
Street & Bridge	22,762	31,250	8,488	37.29%
Total Activities	<u>\$ 129,436</u>	<u>\$ 139,999</u>	<u>\$ 10,563</u>	<u>8.16%</u>
<b>Revenues:</b>				
Charges for Service	25,957	26,445	488	1.88%
General Revenues	103,491	108,740	5,249	5.07%
Total Revenues	<u>129,448</u>	<u>135,185</u>	<u>5,737</u>	<u>4.43%</u>
Change in Net Position	12	(4,814)	\$ (4,826)	-40216.67%
Net Position, Beginning of Year	<u>304,023</u>	<u>304,035</u>	<u>12</u>	<u>0.00%</u>
Net Position, End of Year	<u>\$ 304,035</u>	<u>\$ 299,221</u>	<u>\$ (4,814)</u>	<u>-1.58%</u>

While the Statement of Net Position shows the change in financial position of Net Position, the Statement of Activities provides answers to the nature and scope of these changes. The above table gives an indication of how the mayor and board of aldermen operate the Village of Varnado on a conservative basis.

Total revenue increased \$5,737 from the prior fiscal year. This was mainly due to an insurance reimbursement of \$7,524.

The "Operating Expenditures" in government-wide statement increased by \$10,563. The main component of this is an increase in street repairs and maintenance of \$3,191 and an increase in insurance of \$3,153. For additional detail, see schedule 2 on page 25.

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**  
**Management's Discussion and Analysis**

**Analysis of Fund Financial Statements**

**Governmental Funds**

The focus of the Village's Governmental Funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, Unreserved Fund Balance may serve as a useful measure of the Village's net resources available for spending at the end of the year.

As of December 31, 2016, the Village's Governmental Funds reported a combined ending fund balance of \$148,635. This was a decrease of \$23 over the Fund Balance at December 31, 2015. The General Fund Balance \$68,592 which represents 46% of the combined fund balance, is unassigned, and available for spending at the Village's discretion. The Sales Tax Fund is restricted for expenditures that are dictated by the provisions of the sales tax ordinance (street repair and maintenance). The Sales Tax Fund balance as of December 31, 2016 was \$80,043.

**Budgetary Highlight**

The Village adopted its 2016 budget at the regular meeting of December 17, 2015. The mayor and board of aldermen review the budget/actual financial figures on a monthly basis. The Village approved the amended budgets at the regular board meeting of December 12, 2016. All appropriations lapse end at year end.

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**  
**Management's Discussion and Analysis**

**Budget vs. Actual – Fiscal Year Ended December 31, 2016:**

	Budget Year Ended December 31 2016	Actual Year Ended December 31 2016	Favorable (unfavorable) Variance 2016
<b>Revenues</b>			
Ad Valorem Taxes	\$ 2,500	\$ 5,179	\$ 2,679
Sales Taxes	45,000	43,626	(1,374)
Fines	16,000	15,222	(778)
Franchise Fees	1,300	1,088	(212)
Occupational Licenses	13,000	11,223	(1,777)
Building Permits	-	-	-
Garbage Taxes	8,500	7,500	(1,000)
Video Bingo	38,000	38,489	489
Interest Income	330	340	10
Insurance Proceeds	7,500	7,524	
Miscellaneous	5,000	4,994	(6)
<b>Total Revenues</b>	<u>137,130</u>	<u>135,185</u>	<u>(1,969)</u>
<b>Expenditures</b>			
General Government	44,650	45,235	(585)
Public Safety	50,070	48,923	1,147
Streets & Sanitation	33,890	31,250	2,640
Capital Outlay	9,800	9,800	-
<b>Total Expenditures</b>	<u>138,410</u>	<u>135,208</u>	<u>3,202</u>
<b>Net Change in Assets</b>	<u>(1,280)</u>	<u>(23)</u>	<u>1,233</u>
<b>Beginning, Net Assets</b>	<u>148,658</u>	<u>148,658</u>	<u>-</u>
<b>Ending, Net Assets</b>	<u>147,378</u>	<u>148,635</u>	<u>1,233</u>

Budgeted revenues exceed actual by \$1,969. Budgeted expenditures exceed actual expenditures by \$3,202. The Village was in compliance with the Local Government Budget Act for the fiscal year ending December 31, 2016.

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**  
**Management's Discussion and Analysis**

**Capital Assets:** At the end of the fiscal year December 31, 2016, the Village of Varnado had \$150,586 (net of accumulated depreciation) recorded in capital assets including land. Capital outlay is recorded as expenditures of the General Fund and as Assets in the Government-Wide Financial Statements. Depreciation is recorded on general fixed assets on the government – wide basis using the straight –line method and the following estimated useful lives.

Buildings	40 years
Streets & Bridges	15-30 years
Vehicles & Equipment	5-10 year

Fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at fair market value on the date donated. The cost of all assets acquired, prior to 1989 have been valued using estimated historical cost.

Capital asset activity for the year ended December 31, 2016:

	December 31, 2015	December 31, 2016	Dollar Change	Percentage Change
Land	21,570	21,570	-	0.00%
Streets	485,305	485,305	-	0.00%
Bridges	21,260	21,260	-	0.00%
Buildings	62,563	62,563	-	0.00%
Tractors & Equipment	38,201	38,201	-	0.00%
Police Vehicle & Equipment	68,361	58,302	(10,059)	-14.71%
Sub-Total	697,260	687,201	(10,059)	-14.71%
Less Accumulated				
Depreciation	(541,883)	(536,615)	5,268	-29.43%
Net Capital Assets	155,377	150,586	(4,791)	-58.86%

The Village purchased land a 2008 GMC 1500 for \$9,800. A 2007 Dodge Charger police vehicle was disposed of due to the March 2016 flooding. Insurance reimbursed the village for the loss for \$7,524. The Village recorded depreciation expense of \$14,590.

**Future Economic Plans**

The Village of Varnado's board of aldermen actively monitors revenues and expenses. They are constantly seeking state and or federal grants to fund improvements to the Village. Their sources of revenue are limited and any increase in the revenue sources is highly unlikely. Therefore the board's focus is on obtaining new grants, streamlining expenditures, and insuring all revenue is timely collected. The board's plan is always to improve services for the voters of the Village of Varnado, without increasing the tax burden.

## FINANCIAL STATEMENTS

## STATEMENT A

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**

**STATEMENT OF NET POSITION**

**AS OF DECEMBER 31, 2016**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 69,765
Investments	60,000
Receivables:	
Tax	5,040
Intergovernmental	7,500
Video bingo	3,319
Prepaid Insurance	5,754
Capital assets, net of depreciation	129,016
Land	21,570
Utility deposits	475
<b>Total Assets</b>	<u>302,439</u>
<b>LIABILITIES:</b>	
Accounts payable	1,550
Payroll payable	1,668
<b>Total Liabilities</b>	<u>3,218</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	150,586
Unrestricted	148,635
<b>Total Net Assets</b>	<u>\$ 299,221</u>

See accountant's report and accompanying notes to the financial statements

## Varnado, Louisiana

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	Expenses	Charges for Services	Net (Expenses) Revenues
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 59,826	\$ 11,223	\$ 48,603
Public Safety	48,923	15,222	33,701
Streets & Sanitation	31,250	-	31,250
<b>Total Governmental Activities</b>	<u>139,999</u>	<u>26,445</u>	<u>113,554</u>
<b>General Revenues:</b>			
Property taxes			5,179
Sales taxes			43,626
Franchise taxes			1,088
Landfill operation refund			7,500
Interest			340
Video bingo			38,489
Insurance Proceeds			7,524
Miscellaneous			4,994
<b>Total General Revenues</b>			<u>108,740</u>
<b>Change In Net Assets</b>			(4,814)
<b>Net Position, Beginning of Year</b>			<u>304,035</u>
<b>Net Position, End of Year</b>			<u>299,221</u>

See accountant's report and accompanying notes to the financial statements

## STATEMENT C

**VILLAGE OF VARNADO, LOUISIANA**  
**BALANCE SHEET**  
**All Governmental Fund Types**  
**December 31, 2016**

	Government Fund Types		
	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,987	\$ 56,778	\$ 69,765
Investments	25,000	35,000	60,000
Accounts Receivable:			
Taxes	1,180	3,860	5,040
Intergovernmental	7,500		7,500
Video bingo	3,319		3,319
Interfund Assets:			
Due from Sales Tax Fund	14,931	-	14,931
Prepaid Insurance	5,754		5,754
Utility Deposits	475		475
<b>Total Assets</b>	<u>\$ 71,146</u>	<u>\$ 95,638</u>	<u>\$ 166,784</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 886	\$ 664	\$ 1,550
Payroll Payable	1,668	-	1,668
Interfund Liabilities:			
Due to General Fund	-	14,931	14,931
<b>Total Liabilities</b>	<u>2,554</u>	<u>15,595</u>	<u>18,149</u>
<b>Fund Balance:</b>			
Nonspendable	5,754		5,754
Restricted Fund Balances		80,043	80,043
Unassigned Fund Balances	62,838		62,838
<b>Total Fund Balances</b>	<u>68,592</u>	<u>80,043</u>	<u>148,635</u>
<b>Total Liabilities &amp; Fund Balances</b>	<u>\$ 71,146</u>	<u>\$ 95,638</u>	<u>\$ 166,784</u>
<b>RECONCILIATION:</b>			
Total Governmental Funds Balance			\$ 148,635
Capital Assets-Net of Depreciation			129,016
Land			21,570
<b>Net Position of Governmental Activities</b>			<u>\$ 299,221</u>

See accountant's report and the accompanying notes to the financial statements

## STATEMENT D

**VILLAGE OF VARNADO, LOUISIANA**  
**ALL GOVERNMENTAL FUNDS**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2016**

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
Ad Valorem Taxes	\$ 5,179	\$ -	\$ 5,179
Sales Taxes	-	43,626	43,626
Fines	15,222	-	15,222
Franchise Fees	1,088	-	1,088
Garbage Taxes	7,500	-	7,500
Interest Income	340	-	340
Occupational Fees	11,223	-	11,223
Building Permit	-	-	-
Video Bingo	38,489	-	38,489
Insurance Proceeds	7,524	-	7,524
Miscellaneous	4,994	-	4,994
<b>Total Revenues</b>	<u>91,559</u>	<u>43,626</u>	<u>135,185</u>
<b>Expenditures</b>			
General Government	45,235	-	45,235
Public Safety	48,923	-	48,923
Streets & Sanitation	-	31,250	31,250
Capital Outlay	-	9,800	9,800
<b>Total Expenditures</b>	<u>94,158</u>	<u>41,050</u>	<u>135,208</u>
<b>Net Changes in Fund Balance</b>	(2,599)	2,576	(23)
<b>Fund Balance - Beginnig of Year</b>	<u>71,191</u>	<u>77,467</u>	<u>148,658</u>
<b>Fund Balance - End of Year</b>	<u>\$ 68,592</u>	<u>\$ 80,043</u>	<u>\$ 148,635</u>
<b>RECONCILIATION:</b>			
Change in Fund Balance-Funds Statement			\$ (23)
Capital Outlay			9,800
Depreciation Expense-Government-Wide Statement			(14,591)
<b>Change in Net Position</b>			<u>\$ (4,814)</u>

See accountant's report and accompanying notes to the financial statements

## **NOTES TO FINANCIAL STATEMENTS**

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**Introduction**

The Village of Varnado, Louisiana, was incorporated in 1947, under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Alderman form of government. The governing body of the Village is elected by the registered voters, residing in the Village. Elected officials include the mayor, three alderman, and a police chief. These positions are compensated. All funds, of the Village, are administered by the Mayor and Board of Aldermen. Varnado is located approximately 10 miles south of the Mississippi state line. The Village is approximately 1321 acres in size and services a population of approximately 500. The Village employs one part-time office clerk and two part-time police officers.

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

As the municipal governing authority, for reporting purposes, the Village is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, the Village, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining the 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, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, 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. There are no other component units which the Village has an oversight relationship.

**B. Government-Wide and Fund Financial Statements**

The Government-Wide Financial Statements (i.e., The Statement of Net Position and The Statement of Activities) report information on all of the governmental activities of the Village. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on "Major" funds. Funds statements present in separate columns the General Fund, followed by Major Funds, with Non-Major Funds aggregated and displayed in a separate column. Governmental Accounting Standards Board Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of Major Funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a Major Fund. All of the Village's funds were determined to be Major Funds and were reported in the governmental funds statement. The proprietary fund is reported separately.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources, except those required to be accounted for in other funds.

The *Special Revenue Fund* accounts for the proceeds of sales tax revenue that are legally restricted to expenditures for specified purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the Village's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

#### **D. Deposits and Investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less. State law and the Village's investment policy allow the Village to invest in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Village are reported at fair value.

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to" or "due from" other funds (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property taxes are levied on January 1 and become due on December 1, of each year. They become delinquent after December 31, and in June of each year the Village has a tax sale of property on which taxes have not been paid. For the year ended December 31, 2015, taxes of 3.50 mills were levied for general governmental purposes, on property with taxable assessed valuations totaling \$1,167,120. Levied taxes totaled \$4,086.

**F. Inventories and Prepaid Items**

Purchase of various operating supplies are considered expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**G. Restricted Assets**

Certain proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes are classified as restricted assets because their use is limited to specified expenditures.

**H. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items,) are reported, in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost, or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Description</u>	<u>Lives</u>
General Government:	
Buildings	40 years
Streets	15 years
Bridges	30 years
Vehicles	5 years
Machinery & Equipment	7-10 years

**I. Compensated Absences**

The Village only employs part-time employees and does not have a formal leave policy.

**J. Sales Taxes**

Proceeds of the 1% sales and use tax levied by the Village are dedicated to "constructing and improving public roads, streets, bridges and crossings, and the extension and maintenance of sewerage and water works and other works of permanent public improvement".

**K. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**L. Net Position and Fund Equity**

In the government-wide financial statements, net position are classified in the following categories:

- **Invested in capital assets, net of related debt** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or indebtedness attributable to acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to unspent proceed in not included in the calculation of of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- **Restricted** – This component of net position consists of constraints placed on the asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or constraints imposed by law though constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental fund equity is classified as fund balance. Governmental funds are classified as follows:

- **Nonspendable** -These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** -These are amounts that can be spent only for specific purpose because of constitutional provisions, enabling legislation, or externally imposed constraints by creditors, grantor, contributors or the laws or regulations of other governments.
- **Committed** -These are amounts that can be used for specific purpose determined by a formal decision by the Board Members, which are the highest level of decision-making authority for the Village.
- **Assigned** -These are amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purpose.
- **Unassigned** -These are all other spendable amounts.

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
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**M. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Village, which are either unusual in nature or infrequent in occurrence.

**N. Estimates**

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

**O. Reconciliations of Government-Wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position is presented in Statement C of the basic financial statements. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities is presented in Statement D of the basic financial statements.

**2. Stewardship, Compliance, and Accountability**

The Village uses the following budget practices.

- a) The proposed budget for December 31, 2016, was made available for public inspection at the administrative building. The budget was adopted at regular meeting on December 17, 2015. The proposed budget was prepared on modified accrual basis of accounting.
- b) All expenditure appropriations lapse at end of fiscal year.
- c) Unexpended appropriations and any excess of revenues over expenditures are carried forward to the subsequent year as beginning fund balances.
- d) The budget was amended at the Village's regular meeting on December 12, 2016.

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**3. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents (book balances) at December 31, 2016 in non-interest bearing demand deposit accounts:

General Fund	12,987
Sales Tax Fund	<u>56,778</u>
Total Cash	<u><u>69,765</u></u>

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

At December 31, 2016, the Village had the following deposits (collected bank balances):

General Fund	14,589
Sales Tax Fund	<u>57,194</u>
Total	<u><u>71,783</u></u>

These deposits are secured from risk by \$250,000 of federal deposit insurance.

**4. Investments**

At December 31, 2016, the Village had the following investments (collected bank balances):

Citizens Bank-Certificates of Deposit	
General Fund	25,000
Sales Tax Fund	<u>35,000</u>
Total	<u><u>60,000</u></u>

These deposits are secured from risk by \$250,000 of federal deposit insurance. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available.

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**5. Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based on historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities include sales taxes, ad valorem taxes and due from government.

The following is a summary of receivables:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total</u>
Taxes	1,180	3,860	5,040
Video Bingo	3,319	-	3,319
Intergovernmental	7,500	-	7,500
	<u>11,999</u>	<u>3,860</u>	<u>15,859</u>

**6. Inter-fund Receivables and Payables**

The following is a detailed list of inter-fund balances reported in the fund financial statements:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total</u>
Interfund Receivables	14,931	-	14,931
Interfund Payables	-	14,931	14,931

VILLAGE OF VARNADO, LOUISIANA  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

**7. Capital Assets**

The following is a summary of changes in capital assets for governmental activities for the year ended December 31, 2016:

DESCRIPTIONS	BALANCE JANUARY 1	INCREASE	DECREASE	BALANCE DECEMBER 31
LAND	21,570			21,570
CAPITAL ASSETS				
STREET	485,305			485,305
BRIDGE	21,260			21,260
BUILDING	62,563			62,563
TRACTOR & EQUIPMENT	38,201			38,201
POLICE VEHICLE & EQUIPMENT	68,359	9,800	(19,857)	58,302
TOTAL	675,688	9,800	(19,857)	665,631
LESS ACCUMULATED DEPRECIATION				
STREET	(429,378)		(3,071)	(432,449)
BRIDGE	(7,330)		(650)	(7,980)
BUILDING	(20,294)		(2,059)	(22,353)
TRACTOR & EQUIPMENT	(30,016)		(2,743)	(32,759)
POLICE VEHICLE & EQUIPMENT	(54,864)	19,857	(6,067)	(41,074)
	(541,882)	19,857	(14,590)	(536,615)
CAPITAL ASSETS, NET	155,376	29,657	(34,447)	150,586

The Village purchased land a 2008 GMC 1500 for \$9,800. A 2007 Dodge Charger police vehicle was disposed of due to the March 2016 flooding. Insurance reimbursed the village for the loss for \$7,524. The Village recorded depreciation expense of \$14,590.

**8. Litigation and Claims**

As of December 31, 2016, the Village was not involved in any outstanding litigations or claims.

**9. Related Party Transactions**

There were no related party transactions requiring disclosure in the financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**

ALL GOVERNMENTAL FUND TYPES

Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	General Fund				Sales Tax Fund			
	Original Budget	Amended Budget	Actual	Variance	Original Budget	Amended Budget	Actual	Variance
<b>Revenues</b>								
Ad Valorem Taxes	\$ 1,400	\$ 2,500	\$ 5,179	\$ 2,679	\$ -	\$ -	\$ -	-
Sale Taxes	-	-	-	-	41,000	45,000	43,626	(1,374)
Fines	13,300	16,000	15,222	(778)	-	-	-	-
Franchise Fees	1,800	1,300	1,088	(212)	-	-	-	-
Occupational Licenses	12,800	13,000	11,223	(1,777)	-	-	-	-
Building Permits	60	-	-	-	-	-	-	-
Garbage Taxes	8,400	8,500	7,500	(1,000)	-	-	-	-
Video Bingo	39,000	38,000	38,489	489	-	-	-	-
Interest Income	300	330	340	10	6	-	-	-
Insurance Proceeds	-	7,500	7,524	24	-	-	-	-
Miscellaneous	4,000	5,000	4,994	(6)	-	-	-	-
<b>Total Revenues</b>	<u>81,060</u>	<u>92,130</u>	<u>91,559</u>	<u>(571)</u>	<u>41,006</u>	<u>45,000</u>	<u>43,626</u>	<u>(1,374)</u>
<b>Expenditures</b>								
General Government	51,640	44,650	45,235	(585)	-	-	-	-
Public Safety	50,735	50,070	48,923	1,147	-	-	-	-
Streets & Sanitation	-	-	-	-	28,875	33,890	31,250	2,640
Capital Outlay	-	-	-	-	25,000	9,800	9,800	-
<b>Total Expenditures</b>	<u>102,375</u>	<u>94,720</u>	<u>94,158</u>	<u>562</u>	<u>53,875</u>	<u>43,690</u>	<u>41,050</u>	<u>2,640</u>
Excess of Revenues over (under) expenditures	(21,315)	(2,590)	(2,599)	(9)	(12,869)	1,310	2,576	1,266
Fund Balance - Beginning of Year	71,191	71,191	71,191	-	77,467	77,467	77,467	-
Fund Balance - End of Year	<u>\$ 49,876</u>	<u>\$ 68,601</u>	<u>\$ 68,592</u>	<u>\$ (9)</u>	<u>\$ 64,598</u>	<u>\$ 78,777</u>	<u>\$ 80,043</u>	<u>\$ 1,266</u>

See accountant's report and accompanying notes to the financial statements

## **SUPPLEMENTAL INFORMATION**

## VILLAGE OF VARNADO, LOUISIANA

ALL GOVERNMENTAL FUNDSSchedule of Expenditures  
For the year Ended December 31, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>General Government:</b>		
Salaries, Administrative	\$ 3,715	
Per Diem, Mayor & Aldermen	9,925	
Professional Services	6,200	
Election Expenses	-	
Advertising	1,656	
Due & Subscriptions	283	
Insurance	12,764	
Office Supplies	419	
Postage	255	
Repairs & Maintenance	1,124	
Telephone	4,211	
Conferences & Conventions	2,609	
Mileage	668	
Utilities	391	
Christmas Decorations	441	
Miscellaneous	574	
<b>Total General Government</b>	<u>\$ 45,235</u>	
<b>Public Safety:</b>		
Salaries, Police Officers	\$ 21,500	
Payroll Taxes	2,248	
Vehicle Expense	604	
Fuel	2,766	
Repairs and Maintenance	8,593	
Supplies	5,324	
Insurance	7,145	
Capital Outlay	-	
Training	368	
Miscellaneous	375	
<b>Total Public Safety</b>	<u>\$ 48,923</u>	
<b>Streets and Sanitation:</b>		
Street Lights		\$ 7,951
Street Repairs & Maintenance		4,014
Salaries		2,334
Payroll Taxes		446
Repairs		628
Travel		29
Grass Cutting		3,968
Office Supplies and Expense		72
Capital Outlay		9,800
Christmas Decorations		812
Miscellaneous		336
Mosquito Abatement		6,260
Mosquito Abatement-Labor		4,400
<b>Total Streets &amp; Sanitation</b>		<u>\$ 41,050</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 94,158</u>	<u>41,050</u>

## VILLAGE OF VARNADO, LOUISIANA

Schedule of Compensation Paid Board Members  
For the Year Ended December 31, 2016

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

The Board of Aldermen of the Village consists of three members elected by the registered voters of the Village. The following is a schedule of the compensation of the mayor and aldermen. Compensation did not exceed provisions of R.S. 33:4305.B[1].

<u>BOARD MEMBER</u>	<u>POSITION</u>	<u>COMPENSATION</u>
Paris Sumrall	Mayor	3,800
Kimberly Kennedy	Alderman	2,225
James Ezell	Alderman	2,400
Joe Nichols	Alderman	1,500
Total		<u>9,925</u>

See accountant's report and accompanying notes to the financial statements

## VILLAGE OF VARNADO, LOUISIANA

Schedule of Compensation, Benefits, & Other Payments to Agency Head  
For the Year Ended December 31, 2016

Agency Head,: Paris Sumrall, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	3,800
Travel	114
Conference Travel	107
Total	<u>4,021</u>

See accountant's report and accompanying notes to the financial statements