

VILLAGE OF WATERPROOF, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

AS OF JUNE 30, 2019
AND FOR THE YEAR ENDED

WITH
INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

VILLAGE OF WATERPROOF, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2019
With Supplementary Information Schedules

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VILLAGE OF WATERPROOF, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2019
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Jarrod Bottley, Mayor
and the Board of Aldermen
Village of Waterproof, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waterproof, Louisiana (the Village), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village'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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Basis for Qualified Opinion

Included in the proprietary fund statement of revenues, expenses, and changes in net position is a write-down of accounts receivable of \$98,549, which is included as an operating expense. This write-down is the result of the Village not being able to reconcile its accounts receivable per its financial statements with its accounts receivable included in its subsidiary ledger. The Village adjusted its financial statements to reflect as its accounts receivable the amount of the accounts receivable in its subsidiary ledger. This expense of \$98,549 represents an amount that has not been accounted for.

Qualified Opinion

In our opinion, except for the effects of the write-down of accounts receivable, as explained in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2019, and the respective changes in net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 6 and 27 and 28, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have 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 supplementary information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation of the Chief Executive Officer and Governing Board on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 21, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

This report is intended for the information of the Mayor, members of the Board of Aldermen, management of Village of Waterproof, Louisiana, and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silas Simmons, LLP

Natchez, Mississippi
December 21, 2020

SECTION I
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**VILLAGE OF WATERPROOF, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

As management of the Village of Waterproof, Louisiana (the Village), we offer readers of the Village's financial statements this narrative overview of the financial activities of the Village for the fiscal years ended June 30, 2019 and 2018. The intent of this discussion and analysis is to look at the Village's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Village's financial performance.

The Village of Waterproof, Louisiana is located on Highway 65 in South Tensas Parish, Louisiana.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended June 30, 2019, the Village's net position decreased by \$57,579 and resulted in ending net position of \$1,529,451 at June 30, 2019. Net position decreased by \$126,314 during the year ended June 30, 2018, and resulted in net position of \$1,587,030.

1. The cash balance for the Village was \$76,172 at June 30, 2019. The balance was \$30,646 at June 30, 2018.
2. The governmental activities had \$309,058 in revenues in 2019 and \$298,557 in 2018. These revenues primarily consisted of fines, sales taxes, ad valorem taxes, operating grants, and occupational licenses. Governmental activities had \$385,117 in expenditures in 2019 and \$396,624 in 2018.

The Village's business activities had \$518,507 in revenues in 2019 and \$664,358 in 2018. Revenues consisted primarily of gas and water sales. Business activities had \$563,036 in expenditures in 2019 and \$692,605 in 2018.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: (1) government-wide financial 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 a private-sector business.

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 position 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 Village's net position changed during the most recent fiscal year.

The government-wide financial statements outline functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenue.

The government-wide financial statements can be found on pages 6 through 7 of this report.

**VILLAGE OF WATERPROOF, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Financial statements. A fund is an accountability unit 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's most significant funds rather than the Village as a whole.

The basic governmental fund financial statements are presented on pages 9 through 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 16 through 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a condensed statement of the Village's net position as of June 30, 2019 and 2018:

	Governmental Activities	Business-Type Activities	Totals	
			2019	2018
Current assets	\$ 87,096	\$ 70,521	\$ 157,617	\$ 94,921
Restricted assets	-	15,055	15,055	15,305
Noncurrent assets - capital assets	<u>562,008</u>	<u>1,266,364</u>	<u>1,828,372</u>	<u>1,979,079</u>
Total assets	<u>\$ 649,104</u>	<u>\$ 1,351,940</u>	<u>\$ 2,001,044</u>	<u>\$ 2,089,305</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ 23,303	\$ 90,610	\$ 113,913	\$ 140,029
Noncurrent liabilities	<u>-</u>	<u>357,680</u>	<u>357,680</u>	<u>362,246</u>
Total liabilities	<u>\$ 23,303</u>	<u>\$ 448,290</u>	<u>\$ 471,593</u>	<u>\$ 502,275</u>
Deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net position				
Investment in capital assets, net of related debt	\$ 562,008	\$ 919,779	\$ 1,545,580	\$ 1,688,160
Restricted for debt service and deposits	-	15,055	15,055	15,305
Unrestricted	<u>63,793</u>	<u>(31,184)</u>	<u>(31,184)</u>	<u>(116,435)</u>
Total net position	<u>\$ 625,801</u>	<u>\$ 903,650</u>	<u>\$ 1,529,451</u>	<u>\$ 1,587,030</u>

**VILLAGE OF WATERPROOF, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following is a summary of the Statement of Activities:

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
Revenues and Transfers				
Program revenues	\$ 240,047	\$ 518,507	\$ 758,554	\$ 896,967
Operating grants	8,335	63,009	71,344	-
General revenues	60,676	-	60,676	65,948
Transfers	<u>41,807</u>	<u>(41,807)</u>	-	-
Total revenues and transfers	<u>\$ 350,865</u>	<u>\$ 539,709</u>	<u>\$ 890,574</u>	<u>\$ 962,915</u>
Expenses				
General government and public safety	\$ 385,117	\$ -	\$ 385,117	\$ 396,624
Interest on debt	-	16,947	16,947	15,757
Combined utility	-	<u>546,089</u>	<u>546,089</u>	<u>676,848</u>
Total expenses	<u>\$ 385,117</u>	<u>\$ 563,036</u>	<u>\$ 948,153</u>	<u>\$ 1,089,229</u>
Decrease in net position	\$ (34,252)	\$ (23,327)	\$ (57,579)	\$ (126,314)
Net position, beginning	<u>660,053</u>	<u>926,977</u>	<u>1,587,030</u>	<u>1,713,344</u>
Net position, ending	<u>\$ 625,801</u>	<u>\$ 903,650</u>	<u>\$ 1,529,451</u>	<u>\$ 1,587,030</u>

COMMENTS ON GENERAL FUND COMPARISONS

The Village's budget was not amended during the last year. The budgeted expenditures were \$344,175, and the budgeted revenues, including transfers in, were \$344,610.

CAPITAL ASSETS

As of June 30, 2019, the Village had \$562,008 invested in capital assets in the governmental activities and \$1,266,364 in the business-type activities net of accumulated depreciation.

There were no capital asset additions in either fund in the current year.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mayor Jarrod Bottley at (318) 749-5233.

SECTION II
GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS</u>			
Cash	\$ 55,593	\$ 20,579	\$ 76,172
Receivables, net of allowance for uncollectible amounts	31,503	46,686	78,189
Inventory	-	3,256	3,256
Restricted assets	-	15,046	15,046
Assigned assets	-	9	9
Capital assets, net	562,008	1,266,364	1,828,372
	<u>\$ 649,104</u>	<u>\$ 1,351,940</u>	<u>\$ 2,001,044</u>
Total assets			
Deferred outflows of resources	\$ -	\$ -	\$ -
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	\$ 23,303	\$ 75,716	\$ 99,019
Customer deposits	-	12,988	12,988
Long-term liabilities:			
Due within one year	-	19,894	19,894
Due in more than one year	-	339,692	339,692
	<u>\$ 23,303</u>	<u>\$ 448,290</u>	<u>\$ 471,593</u>
Total liabilities			
Deferred inflows of resources	\$ -	\$ -	\$ -
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 562,008	\$ 906,778	\$ 1,468,786
Restricted for:			
Debt service	-	14,928	14,928
Customer deposits	-	118	118
Assigned to:			
Wastewater treatment plant	-	9	9
Unrestricted	63,793	(18,183)	45,610
	<u>\$ 625,801</u>	<u>\$ 903,650</u>	<u>\$ 1,529,451</u>
Total net position			

The accompanying notes are an integral part of this financial statement.

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

STATEMENT B

	Expenses	Program Revenues		Net (Expenses), Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
<u>Governmental Activities</u>						
General government and public safety	\$ 385,117	\$ 240,047	\$ 8,335	\$ (136,735)	\$ -	\$ (136,735)
Total governmental activities	\$ 385,117	\$ 240,047	\$ 8,335	\$ (136,735)	\$ -	\$ (136,735)
<u>Business-Type Activities</u>						
Utilities	\$ 563,036	\$ 518,507	\$ 63,009	\$ -	\$ 18,480	\$ 18,480
Total business-type activities	\$ 563,036	\$ 518,507	\$ 63,009	\$ -	\$ 18,480	\$ 18,480
Total	\$ 948,153	\$ 758,554	\$ 71,344	\$ (136,735)	\$ 18,480	\$ (118,255)
General Revenue:						
Taxes				\$ 37,927	\$ -	\$ 37,927
Licenses				16,488	-	16,488
Other				6,261	-	6,261
Transfers				41,807	(41,807)	-
Total general revenues and transfers				\$ 102,483	\$ (41,807)	\$ 60,676
Change in net position				\$ (34,252)	\$ (23,327)	\$ (57,579)
Net position, beginning of year				660,053	926,977	1,587,030
Net position, end of year				\$ 625,801	\$ 903,650	\$ 1,529,451

The accompanying notes are an integral part of this financial statement.

SECTION III
FUND FINANCIAL STATEMENTS

VILLAGE OF WATERPROOF, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 55,593
Receivables, net of allowances for uncollectibles	31,503
	<hr/>
Total assets	\$ 87,096
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts, salaries, and other payables	\$ 23,303
	<hr/>
Total liabilities	\$ 23,303
	<hr/>
Fund balance:	
Unassigned	\$ 63,793
	<hr/>
Total liabilities and fund balance	\$ 87,096
	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

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

Fund Balances, Total Governmental Funds (Statement C)	\$	63,793
<p>Amounts reported for governmental activities in the Statement of Net Position (Statement A) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Capital assets, net of depreciation		<u>562,008</u>
Net Position of Governmental Activities (Statement A)	\$	<u><u>625,801</u></u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF WATERPROOF, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>
<u>REVENUES</u>	
Taxes	\$ 37,927
Licenses and permits	16,488
Intergovernmental revenues	8,335
Fines	240,047
Miscellaneous	<u>6,261</u>
Total revenues	<u>\$ 309,058</u>
<u>EXPENDITURES</u>	
Current:	
General government and public safety	<u>\$ 321,008</u>
Total expenditures	<u>\$ 321,008</u>
Excess of revenues under expenditures	<u>\$ (11,950)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers in	<u>\$ 41,807</u>
Total other financing sources (uses)	<u>\$ 41,807</u>
Net change in fund balance	\$ 29,857
Fund balances, beginning of year	<u>33,936</u>
Fund balances, end of year	<u><u>\$ 63,793</u></u>

The accompanying notes are an integral part of this financial statement.

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

Net Change in Fund Balances, Total Governmental Funds (Statement E)	\$	29,857
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Amounts reported for governmental activities in the Statement of
 Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives. Thus, the change in net position differs from the change in fund balance by the amount that depreciations of \$64,109 exceeded capital outlays of \$0.

(64,109)

Change in Net Position of Governmental Activities (Statement B)	\$	<u>(34,252)</u>
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(34,252)

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

	Utility Fund
<u>ASSETS</u>	
Current assets:	
Cash	\$ 20,579
Accounts receivable, utility sales [net of allowance for doubtful accounts of (\$235,000)]	46,686
Inventory	3,256
Total current assets	\$ 70,521
Noncurrent assets:	
Restricted assets:	
Bond reserve fund	\$ 850
Bond contingency fund	14,078
Customer deposits	118
Total restricted assets	\$ 15,046
Assigned assets:	
Wastewater contingency fund	\$ 9
Total noncurrent assets	\$ 15,055
Capital assets:	
Property, plant, and equipment	\$ 5,587,085
Less accumulated depreciation	(4,320,721)
Net capital assets	\$ 1,266,364
Total assets	\$ 1,351,940
<u>LIABILITIES</u>	
Current liabilities payable from current assets:	
Accounts payable	\$ 75,716
Total current liabilities payable from current assets	\$ 75,716
Current liabilities payable from restricted assets:	
Customer deposits	\$ 12,988
Current portion of long-term debt	14,894
Total current liabilities payable from restricted assets	\$ 27,882
Long-term liabilities	\$ 344,692
Total liabilities	\$ 448,290
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 906,778
Restricted for debt service	14,928
Restricted for customer deposits	118
Assigned to Wastewater Treatment Plant	9
Unrestricted	(18,183)
Total net position	\$ 903,650

The accompanying notes are an integral part of this financial statement.

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

	Utility Fund
<u>OPERATING REVENUES</u>	
Charges for services:	
Gas sales	\$ 178,810
Water sales	266,423
Sewer service sales	40,724
Garbage sales	23,394
Intergovernmental:	
Other income	63,009
Other income	9,156
Total operating revenues	\$ 581,516
<u>OPERATING EXPENSES</u>	
Gas purchases	\$ 57,633
Water purchases	119,841
Salaries	26,780
Provision for bad debts	98,549
Depreciation	86,597
Utilities	16,364
Plant supplies	1,668
Payroll taxes	1,938
Repairs	42,830
Testing and outside services	5,824
Office supplies	1,784
Dues and subscriptions	1,716
Automobile expenses	11,679
Grant expenditures	38,120
Insurance	4,372
Other expenses	30,394
Total operating expenses	\$ 546,089
Operating income	\$ 35,427
Nonoperating expenses	
Interest expense	\$ 16,947
Total nonoperating expenses	\$ 16,947
Operating transfers	
Transfers out	\$ (41,807)
Total operating transfers	\$ (41,807)
Net changes in net position	\$ (23,327)
Net position, beginning of year	926,977
Net position, end of year	\$ 903,650

The accompanying notes are an integral part of this financial statement.

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

Cash flows from operating activities:	
Cash received from customers	\$ 511,136
Cash received from intergovernmental grants	63,009
Cash paid to employees	(26,780)
Cash paid to suppliers	(445,912)
Net cash provided by operating activities	<u>\$ 101,453</u>
Cash flows for noncapital financing activities:	
Transfers to other funds	\$ (41,807)
Increase in customer deposits	1,718
Net cash used for noncapital financing activities	<u>\$ (40,089)</u>
Cash flows from capital and related financing activities:	
Principal paid on notes payable	\$ (23,998)
Interest paid on notes payable	(17,037)
Net cash used for capital and related financing activities	<u>\$ (41,035)</u>
Net increase in cash	\$ 20,329
Cash at beginning of year	15,305
Cash at end of year	<u><u>\$ 35,634</u></u>
Reconciliation of operating loss to net cash provided by:	
Operating income	<u>\$ 35,427</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 86,597
Changes in assets and liabilities:	
Increase in accounts receivable	(7,371)
Increase in accounts payable	(13,200)
Total adjustments	<u>\$ 66,026</u>
Net cash provided by operating activities	<u><u>\$ 101,453</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

INTRODUCTION

The Village of Waterproof, Louisiana (the Village) is a municipal corporation governed by an elected mayor.

1. The Village was incorporated under the provisions of the Lawrason Act as a village in 1862.
2. The purpose of the municipality is to provide utility services, public safety (police and fire), streets, sanitation, and general administrative services.
3. The Board of Aldermen consists of three elected members that are each paid \$500 per month.
4. The Village is located in the southern portion of Tensas Parish, Louisiana. Tensas Parish is located in northeast Louisiana.
5. The population of the municipality is approximately 688 people.
6. The Village has approximately 10 full-time employees.
7. The Village has approximately 366 utility customers.

The Governmental Accounting Standards Board (GASB) Statement 14, *The Reporting Entity*, 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 municipality 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 or local governments. As used in GASB Statement 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes, set rates or charges, and issue bonded debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund 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.

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 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. *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 if 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.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental fund:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The municipality reports the following major proprietary fund:

The Utility Fund accounts for operations where the intent of the governing body is that 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. In the case of the Village, this includes the operation of the Village's gas, water, garbage, and sewer systems.

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 government has elected not to follow subsequent private-sector guidance.

VILLAGE OF WATERPROOF, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government'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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the proprietary funds are the sales of water, gas, garbage, and sewer services to both residential and commercial customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the municipality's policy to use restricted resources first, then unrestricted resources as they are needed.

C. *Cash and Cash Equivalents*

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality 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.

D. *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/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund 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.

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. *Receivables and Payables* (continued)

All fines and utility charges receivables are shown net of an allowance for uncollectibles. The Village provides for uncollectibles based upon analysis of the receivables portfolio and historical collection statistics.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			
General fund	14.00	14.00	Permanent
Corporate purposes	14.00	14.00	2026

E. *Inventories and Prepaid Items*

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. 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.

F. *Restricted Assets*

Certain assets of the business-type activities fund of the Village have been restricted for debt service, grant expenditures, and customers' deposits.

G. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., 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 \$1,000 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 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. There were no major projects capitalized during the current fiscal year.

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. *Capital Assets* (continued)

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

Description	Estimated Lives
Gas lines, sewer lines, and water plant	50 years
Vehicles and equipment	3-10 years

H. *Compensated Absences*

The municipality has the following policy relating to vacation and sick leave:

The Village grants one week vacation after one year of service and two weeks' vacation after two years of service. Each employee is entitled to 10 sick days per year. Vacation or sick pay does not accumulate. The Village's policy concerning compensation for unpaid vacation pay or sick pay is that upon termination of an employee, vacation days and sick days not previously used by the employee are not reimbursed.

I. *Long-Term Obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. *Measurement Focus/Basis of Accounting*

Fund Equity

Beginning with fiscal year 2014, the Village implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. *Measurement Focus/Basis of Accounting* (continued)

Fund Equity (continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

In the general fund, the Village strives to maintain an unassigned fund balance to be used for unanticipated emergencies.

Government-Wide Financial Statements

The page labeled Statement of Net Position (Statement A) and the page labeled Statement of Activities (Statement B) display information about the Village as a whole. These statements include all the financial activities of the Village. Information contained in these statements reflect the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues

Program revenues included in the column labeled Statement of Activities (Statement B) are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the Village's general revenues.

K. *Estimates*

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

1. The Village prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than 15 days prior to the beginning of each fiscal year. The Village approves a budget for the general fund only.

VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least 10 days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a cash basis.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2019, the municipality has cash and cash equivalents (book balances) totaling \$91,227. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2019, the municipality has \$91,780 in deposits (collected bank balances). These deposits are secured from risk by \$91,780 of federal deposit insurance.

NOTE 4 - RECEIVABLES

The receivables for June 30, 2019, are as follows:

<u>Class of Receivables</u>	<u>General Fund</u>	<u>Utility Fund</u>
Fines	\$ 31,503	\$ -
Utility fees	-	281,686
Less allowance for uncollectibles	-	(235,000)
Total	<u>\$ 31,503</u>	<u>\$ 46,686</u>

VILLAGE OF WATERPROOF, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2019, for the primary government are as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 23,308	\$ -	\$ -	\$ 23,308
Total capital assets not being depreciated	<u>\$ 23,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,308</u>
Capital assets being depreciated				
Buildings	\$ 340,190	\$ -	\$ -	\$ 340,190
Machinery and equipment	539,655	-	-	539,655
Streets	<u>547,718</u>	<u>-</u>	<u>-</u>	<u>547,718</u>
Total capital assets being depreciated	<u>\$ 1,427,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,427,563</u>
Less accumulated depreciation for:				
Buildings	\$ (178,345)	\$ (9,069)	\$ -	\$ (187,414)
Machinery and equipment	(418,065)	(18,525)	-	(436,590)
Streets	<u>(228,344)</u>	<u>(36,515)</u>	<u>-</u>	<u>(264,859)</u>
Total accumulated depreciation	<u>\$ (824,754)</u>	<u>\$ (64,109)</u>	<u>\$ -</u>	<u>\$ (888,863)</u>
Governmental activities, capital assets, net	<u>\$ 626,117</u>	<u>\$ (64,109)</u>	<u>\$ -</u>	<u>\$ 562,008</u>

Depreciation expense of \$64,109 for the year ended June 30, 2019, was charged to the following governmental functions:

Police and fire	<u>\$ 64,109</u>
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VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated				
Land	\$ 38,860	\$ -	\$ -	\$ 38,860
Capital assets being depreciated				
Water system lines and equipment	\$ 3,173,248	\$ -	\$ -	\$ 3,173,248
Gas system lines and equipment	817,952	-	-	817,952
Sewer system lines and equipment	1,417,244	-	-	1,417,244
Garbage vehicles and equipment	<u>139,781</u>	<u>-</u>	<u>-</u>	<u>139,781</u>
Total capital assets being depreciated	<u>\$ 5,548,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,548,225</u>
Less accumulated depreciation for:				
Water system lines and equipment	\$ (2,363,086)	\$ (57,083)	\$ -	\$ (2,420,169)
Gas system lines and equipment	(807,575)	(4,612)	-	(812,187)
Sewer system lines and equipment	(923,682)	(24,902)	-	(948,584)
Garbage vehicles and equipment	<u>(139,781)</u>	<u>-</u>	<u>-</u>	<u>(139,781)</u>
Total accumulated depreciation	<u>\$ (4,234,124)</u>	<u>\$ (86,597)</u>	<u>\$ -</u>	<u>\$ (4,320,721)</u>
Business-type activities, capital assets, net	<u>\$ 1,352,961</u>	<u>\$ (86,597)</u>	<u>\$ -</u>	<u>\$ 1,266,364</u>

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers consist of operating transfers between the general fund and the utility fund as follows:

<u>Transfers in</u>	<u>Transfers out</u>	
Governmental fund	Proprietary fund	<u>\$ 41,807</u>

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2019:

	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Total</u>
Long-term obligations at beginning of year	\$ 22,000	\$ 361,480	\$ 383,480
Reductions	<u>(9,000)</u>	<u>(14,894)</u>	<u>(23,894)</u>
Long-term obligations at end of year	<u>\$ 13,000</u>	<u>\$ 346,586</u>	<u>\$ 359,586</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2019:

	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Total</u>
Current portion	\$ 5,000	\$ 14,894	\$ 19,894
Long-term portion	<u>8,000</u>	<u>331,692</u>	<u>339,692</u>
Long-term obligations at end of year	<u>\$ 13,000</u>	<u>\$ 346,586</u>	<u>\$ 359,586</u>

Long-term debt at June 30, 2019, consists of the following:

Certificates of Indebtedness - \$50,000 in certificates of indebtedness due in semi-annual installments of \$6,810 to \$8,240 through June 2021, bearing interest at 3%.	\$ 13,000
Water Revenue Bonds - \$534,881 in revenue bonds due in annual installments of \$31,181 through July 2035, bearing interest at a rate of 4.5%.	<u>346,586</u>
	<u>\$ 359,586</u>

The annual requirements to amortize long-term debt outstanding at June 30, 2019, are as follows:

<u>Year ending June 30, 2019</u>	<u>Certificates of Indebtedness</u>		<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 5,000	\$ 450	\$ 14,894	\$ 16,287	\$ 19,894	\$ 16,737
2021	8,000	240	15,578	15,603	23,578	15,843
2022	-	-	16,294	14,887	16,294	14,887
2023	-	-	17,043	14,138	17,043	14,138
2024	-	-	17,826	13,355	17,826	13,355
2025-2029	-	-	102,389	53,516	102,389	53,516
2030-2034	-	-	127,920	27,985	127,920	27,985
2035-2038	<u>-</u>	<u>-</u>	<u>34,642</u>	<u>2,646</u>	<u>34,642</u>	<u>2,646</u>
Total	<u>\$ 13,000</u>	<u>\$ 690</u>	<u>\$ 346,586</u>	<u>\$ 158,417</u>	<u>\$ 359,586</u>	<u>\$ 159,107</u>

VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

The Water Revenue Bonds contain the following bond indenture restrictions:

1. The Village shall maintain a reserve fund into which monthly deposits of \$130 will be made. The reserve fund balance was \$850 at June 30, 2019. Deposits shall be made into the fund until a balance of \$31,180 has been accumulated into the fund. At June 30, 2019, the Village was not in compliance with this covenant.
2. The Village shall maintain a contingency fund into which monthly deposits of \$129 will be made. The depreciation fund balance was \$14,078 at June 30, 2019. At June 30, 2019, the Village was not in compliance with this covenant.

NOTE 8 - RETIREMENT SYSTEMS

Employees of the Village are members of the federal social security system. The employer portion of the social security payroll tax is reflected in payroll taxes in the various statements of income.

NOTE 9 - SUBSEQUENT EVENTS

Events that occur after the end of the reporting period, but before the financial statements are available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes.

Management of Village of Waterproof, Louisiana evaluated the activity of the Village through December 21, 2020, the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of the coronavirus (COVID-19). The pandemic has significantly affected economic conditions in the United States. However, the impact of this event on the Village's activities and financial position cannot be reasonable estimated at this time.

SECTION IV
ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts (Budget Basis) Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenue</u>				
Taxes	\$ 43,750	\$ 43,750	\$ 37,927	\$ (5,823)
Licenses and permits	15,000	15,000	16,488	1,488
Fines	225,000	225,000	230,249	5,249
Grant income	18,860	18,860	8,335	(10,525)
Miscellaneous	10,000	10,000	6,261	(3,739)
Total revenue	<u>\$ 312,610</u>	<u>\$ 312,610</u>	<u>\$ 299,260</u>	<u>\$ (13,350)</u>
<u>Expenditures</u>				
Current:				
General government and administration	\$ 344,175	\$ 344,175	\$ 316,120	\$ 28,055
Total expenditures	<u>\$ 344,175</u>	<u>\$ 344,175</u>	<u>\$ 316,120</u>	<u>\$ 28,055</u>
<u>Excess (deficiency) of revenue over expenditures</u>	<u>\$ (31,565)</u>	<u>\$ (31,565)</u>	<u>\$ (16,860)</u>	<u>\$ 14,705</u>
<u>Other financing sources</u>				
Transfers	\$ 32,000	\$ 32,000	\$ 41,807	\$ 9,807
Total other financing sources	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 41,807</u>	<u>\$ 9,807</u>
Net change in fund balances	\$ 435	\$ 435	\$ 24,947	\$ 24,512
Fund balances - beginning of year	<u>30,646</u>	<u>30,646</u>	<u>30,646</u>	<u>-</u>
Fund balances - end of year	<u>\$ 31,081</u>	<u>\$ 31,081</u>	<u>\$ 55,593</u>	<u>\$ 24,512</u>

See Independent Auditor's Report.

VILLAGE OF WATERPROOF, LOUISIANA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2019

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the actual data on the cash basis, and variances between the final budget and the actual data.

2. Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles net change in fund balances on the budgetary basis schedules to the GAAP basis financial statements for the general fund:

	<u>General Fund</u>
Net change in fund balance – budget basis	\$ 24,947
Increase (decrease)	
Net adjustments for revenue accruals	9,798
Net adjustments for expenditure accruals	<u>(4,888)</u>
Net change in fund balance – GAAP basis	<u>\$ 29,857</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF WATERPROOF, LOUISIANA
 COMPENSATION OF THE CHIEF EXECUTIVE OFFICER AND GOVERNING BOARD
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Compensation of Aldermen

Henry Jenkins	\$	6,000
Robert Clarke		6,000
Veronica Stacker		3,000
Archie Turner, Jr.		<u>3,000</u>
	<u>\$</u>	<u>18,000</u>

Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer

Agency Head Name:	Caldwell Flood, Mayor	7/1/2018 - 12/31/2018
Salary		<u>\$ 6,000</u>
		<u>\$ 6,000</u>
	Jarrold Bottley, Mayor	1/1/2019 - 6/30/2019
Salary		<u>\$ 6,000</u>
		<u>\$ 6,000</u>

See Independent Auditor's Report.

SECTION V
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE



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

To, the Honorable Jarrod Bottley, Mayor
 and the Board of Aldermen
 Village of Waterproof, 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, each major fund, and the aggregate remaining fund information of the Village of Waterproof, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Waterproof, Louisiana's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as Items 2019-1, 2019-2, 2019-3, 2019-6, and 2019-7 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not consider any of the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Waterproof, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings as Items 2019-4 and 2019-5.

Village of Waterproof, Louisiana's Response to Findings

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

Purpose of This Report

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

A handwritten signature in cursive script that reads "Silas Simmons, LLP".

Natchez, Mississippi
December 21, 2020

**SECTION VI
SCHEDULE OF FINDINGS**

VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditor's report issued on the basic financial statements: | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to the basic financial statements? | Yes |

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Reference No.	Description of Finding	Status
Section I – Internal Control and Compliance Material to the Financial Statements:		
2018-1	<p><u>Reconciliation of Utility Accounts Receivable</u> As reported in Finding 2017-1 last year, the utility accounts receivable does not agree with the general ledger and does not appear to represent the accounts receivable of the Village. The balance of the amounts owed to the Village by the customers totals \$438,421, according to the customer balance report. The cash collections in the subsequent month were \$15,805. At the same time, the general ledger indicated the accounts receivable were \$460,351 before an adjustment recommended by the auditor was made.</p> <p><u>Recommendation</u> We recommend that the Village review the subsidiary ledger and approve write-offs of old outstanding accounts.</p>	Not resolved
2018-2	<p><u>Reconciliation of Utility Deposits</u> The meter deposit balance in the utility system general ledger was not reconciled with the balance in the general ledger during the year.</p> <p><u>Recommendation</u> We recommend that the Village provide, and work with, the external bookkeeper on a monthly basis to be sure that the account is being reconciled appropriately.</p>	Not resolved
2018-3	<p><u>Segregation of Duties</u> Because of the small size of the Village and the small number of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village's assets.</p> <p><u>Recommendation</u> We recommend that the Village and Board continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recording of those receipts, depositing funds collected, and review of checks written.</p>	Not resolved
2018-4	<p><u>Late Filing of Audit Report</u> The Village's audited financial statements were not submitted to the Louisiana Legislative Auditor by the statutory date of December 31, 2018.</p> <p><u>Recommendation</u> We recommend that the Village have its books and records available in a more timely manner.</p>	Not resolved
2018-5	<p><u>Compliance with Bond Covenants</u> The Village did not make monthly deposits into the depreciation or reserve funds.</p> <p><u>Recommendation</u> We recommend that monthly deposits begin as soon as possible and the Village make deposits to replace those not made in previous months.</p>	Not resolved

VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Reference No.	Description of Finding	Status
Section I - Internal Control and Compliance Material to the Financial Statements:		
2018-6	<p><u>Customer Deposit Cash Account (Internal Control)</u> The customer deposit liability exceeds the amount of cash in the customer deposit bank account. Customer deposits per the general and subsidiary ledgers are \$11,270. The related bank account restricted for these deposits had a balance of \$368 at year end, which leaves an underfunded amount of \$10,902.</p> <p><u>Recommendation</u> We recommend that all customer deposit-related accounts be reviewed and any discrepancies be resolved in a timely manner.</p>	Not resolved
2018-7	<p><u>Recordkeeping (Internal Control)</u> The recordkeeping process failed to properly maintain and secure certain documents.</p> <p><u>Recommendation</u> We recommend that the Village establishes a records-management program to ensure that records are properly safeguarded and maintained.</p>	Not resolved
2018-8	<p><u>General Fund Expenditures (Compliance Finding)</u> The Village's General Fund's expenditures exceeded its budgeted amount by 15%. The budgeted amount of expenditures was \$282,990 and the actual expenditures were \$333,787. Louisiana Revised Statute 39:1311 requires that expenditures not exceed the budget by more than 5%.</p> <p><u>Recommendation</u> We recommend that management regularly review the budget to actual during the year and propose amendments to the budget as necessary to ensure that the 5% threshold is not surpassed.</p>	Resolved

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I - Internal Control and Compliance Material to the Financial Statements:	
2019-1	<p><u>Reconcilement of Utility Accounts Receivable to Subsidiary Ledger</u></p> <p>Condition: As reported in previous years, the utility fund accounts receivable subsidiary ledger (Customer Balance Report) is not being reconciled to the accounts receivable account in the general ledger.</p> <p>Criteria: Basic internal controls require that general ledger accounts reflect the correct balances of assets, liabilities, capital, revenues, and expenses.</p> <p>Cause: The Village has a substantial amount of old accounts receivable on the subsidiary ledger, which results in the subsidiary ledger not being a true representation of accounts receivable.</p> <p>Effect: The general ledger and subsidiary ledger are both in need of attention and correcting. The balance of the amounts owed to the Village by the customers totals \$151,617, according to the customer balance report. The cash collections in the subsequent month were \$17,885. At the same time, the general ledger indicated the accounts receivable were \$380,235 before an adjustment recommended by the auditor was made.</p> <p>Recommendation: We recommend that the Village review the subsidiary ledger and approve write-offs of old outstanding accounts.</p> <p>Corrective Action Taken: No corrective action has been taken as of June 30, 2019.</p> <p>Contact Person: Mayor Jarrod Bottley</p>
2019-2	<p><u>Reconcilement of Utility Deposit</u></p> <p>Condition: As reported in previous years, the meter deposit subsidiary is not being reconciled to the meter deposit account in the general ledger.</p> <p>Criteria: Basic internal controls require that general ledger accounts reflect the correct balances of assets, liabilities, funds, revenues, and expenses.</p> <p>Cause: The Village does not provide the external bookkeeper with the appropriate report to reconcile the customer deposits monthly.</p> <p>Effect: The general ledger balance of customer meter deposits is not being reconciled to the subsidiary ledger (Deposit Report).</p> <p>Recommendation: We recommend that the Village provide, and work with, the external bookkeeper on a monthly basis to be sure that the account is being reconciled appropriately.</p> <p>Corrective Action Taken: No corrective action has been taken as of June 30, 2019.</p> <p>Contact Person: Mayor Jarrod Bottley</p>

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I – Internal Control and Compliance Material to the Financial Statements: (continued)	
2019-3	<p><u>Segregation of Duties</u></p> <p>Condition: Because of the small size of the Village and the small number of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village’s assets.</p> <p>Criteria: Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving, and check writing.</p> <p>Cause: Small size of entity and lack of employees.</p> <p>Effect: Material weakness in internal controls.</p> <p>Recommendation: We recommend that the Mayor and Board continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.</p> <p>Client Response and Corrective Action: Management will provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.</p> <p>Contact Person: Mayor Jarrod Bottley</p>
2019-4	<p><u>Late Filing of Audit Report</u></p> <p>Condition: The Village’s audited financial statements were not submitted to the Louisiana Legislative Auditor by the statutory due date of December 31, 2019.</p> <p>Criteria: To be in good standing with the State of Louisiana, the audited financial statements must be submitted to the Louisiana Legislative Auditor by December 31, 2019.</p> <p>Cause: The financial statements were due on December 31, 2019, but the books and records were not available until May of 2020. This did not allow enough time to complete the audit.</p> <p>Effect: The Village is on the noncompliance list with the State of Louisiana.</p> <p>Recommendation: We recommend that the Village has its books and records available in a more timely manner.</p> <p>Corrective Action Taken: No corrective action has been taken as of June 30, 2019.</p> <p>Contact Person: Mayor Jarrod Bottley</p>

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I - Internal Control and Compliance Material to the Financial Statements: (continued)	
2019-5	<p><u>Compliance with Bond Covenants</u></p> <p>Condition: The Village did not make monthly deposits of \$129 and \$130 into the depreciation and reserve funds, respectively.</p> <p>Criteria: The Water Revenue Bonds in the Proprietary (Utility) Fund contain covenants requiring a deposit of \$130 a month into a reserve fund until a balance of \$31,180 has been accumulated, and a deposit of \$129 a month into a contingency fund.</p> <p>Cause: The Village overlooked this requirement in the current year.</p> <p>Effect: The Village is not in compliance with the Water Revenue Bond.</p> <p>Recommendation: We recommend that monthly deposits begin as soon as possible and the Village makes deposits to replace those not made in previous months.</p> <p>Corrective Action Taken: No corrective action has been taken as of June 30, 2019.</p> <p>Contact Person: Mayor Jarrod Bottley</p>
2019-6	<p><u>Customer Deposit Cash Account (Internal Control)</u></p> <p>Condition: The customer deposit liability exceeds the amount of cash in the customer deposit bank account. Customer deposits per the general ledger are \$12,988. The related bank account restricted for these deposits had a balance of \$118 at year end, which left an underfunded amount of \$12,870.</p> <p>Criteria: There should be sufficient cash to cover customer deposits.</p> <p>Effect: Material weakness in internal controls.</p> <p>Cause: Customer deposits asset and liability accounts are not being reviewed and reconciled appropriately.</p> <p>Recommendation: We recommend that all customer deposit-related accounts be reviewed and any discrepancies be resolved in a timely manner.</p> <p>Response: Management will work on this for fiscal year 2020.</p>

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I - Internal Control and Compliance Material to the Financial Statements: (continued)	
2019-7	<p><u>Recordkeeping (Internal Control)</u></p> <p>Condition: During our audit, we noted several issues related to the Village's recordkeeping process as they were not properly maintaining and securing certain documents. In some instances, records were not available, severely hindering our process.</p> <p>Criteria: Louisiana R.S. 44:36 requires diligence and care in preserving public records.</p> <p>Effect: Without proper records-management processes, public records may be exposed to risk of loss and damage.</p> <p>Cause: The Village does not have appropriate procedures for recordkeeping.</p> <p>Recommendation: We recommend that the Village establishes a records-management program to ensure that records are properly safeguarded and maintained.</p> <p>Response: Management will work on this for fiscal year 2019.</p>

SECTION VII
APPLYING AGREED-UPON PROCEDURES



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Village of Waterproof, Louisiana
and the Louisiana Legislative Auditor:

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

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

Our procedures and findings are included in the supplement to this report.

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

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

Silas Simmons, LLP

Natchez, Mississippi
December 21, 2020

VILLAGE OF WATERPROOF, LOUISIANA
SUPPLEMENTAL SCHEDULE OF AGREED-UPON PROCEDURES AND FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
 - b) *Purchasing*, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.
 - c) *Disbursements*, including processing, reviewing, and approving.
 - d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) *Travel and Expense Reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
 - j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - k) *Disaster Recover/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Findings: We reviewed the written policies and procedures provided by the Village.

Through our review, we found that the Village had no written policies and procedures in place for budgeting, purchasing, disbursements, receipts, payroll/personnel, credit cards, travel and expense reimbursement, ad ethics, debt service, or disaster recover/business continuity.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Findings: We obtained a copy of the Village's minutes for the fiscal period. We reviewed the minutes to determine whether the managing board met on a frequency in accordance with the board's enabling legislation, charter, or equivalent document. We reviewed the minutes to determine whether they referenced or included monthly budget-to-actual comparisons. We obtained a copy of the prior year audit report and observed the unrestricted fund balance in the general fund as being negative.

During our review, we noted that the Village did not have monthly budget-to-actual comparisons.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings: We obtained a list of bank accounts from the list management gave for bank confirmations and had management identify the main operating bank account. We selected the main operating bank account and randomly selected four other bank accounts. We obtained the related bank statements and randomly selected one month from the fiscal period to review whether bank reconciliations had been prepared within two months of the related statement closing date, included evidence of a member of management unrelated to the cash collection/disbursement processes had reviewed each bank reconciliation, and included documentation that management has researched reconciling items that have been outstanding for more than 12 months from that statement closing date.

During our review, we noted that there is no evidence of review by management on the bank statements or bank reconciliations.

Collections

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

Findings: We reviewed a listing of deposit sites for the fiscal period, with management's representation that the listing is complete. The Village has only one deposit site.

No exceptions were noted for the above procedure.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings: We obtained a listing of collection locations and management's representation that the listing is complete. The Village has only one collection location at the one deposit site. We obtained written policies and procedures and inquired of management and employees to determine whether employees who are responsible for cash collections do not share cash drawers/registers, do not prepare/make bank deposits, and are not responsible for posting collection entries to the general ledger or subsidiary ledgers, and employees responsible for reconciling cash collections to the general ledger or subsidiary ledger(s) are not responsible for collecting cash.

During our procedures, we noted that persons responsible for collecting cash are also responsible for making deposits.

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

Findings: We inquired of management to determine if they are covered by a bond or insurance policy for theft to determine that there is a blanket policy covering theft.

No exceptions were noted for the above procedure.

7. Randomly select two deposit dates for each of the five bank accounts selected for Procedure 3 under "Bank Reconciliations" (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Findings: We randomly selected two deposit dates for each of the five bank accounts selected under Procedure 3 and performed the procedures above to observe whether or not receipts are sequentially pre-numbered and traced to collection documentation and the bank statements.

During the above procedures, we noted that receipts were not used and were only provided with deposit slips and no other collection documentation. We also noted deposits not being made within one business day of receipt.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five).

Findings: We obtained a list of locations that process payments and management's representation that the listing is complete. The Village has one location for processing payments.

No exceptions were noted for the above procedure.

9. For each location selected under Procedure 8, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties) and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings: Using the Village's one location, we inquired of employees involved with non-payroll purchasing and payment functions and obtained written policies and procedures.

During the above procedures, we noted that the clerk is allowed to sign checks and is also responsible for mailing and processing payments:

10. For each location selected under Procedure 8, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under Procedure 9, as applicable.

Findings: For each location from Procedure 8, we obtained the non-payroll disbursement transaction population and management's representation that the population is complete. We randomly selected five disbursements and obtained the documentation that the disbursement matched the related original invoice and that the related documentation included evidence of segregation of duties tested under Procedure 9.

During the above procedures, we noted no evidence of segregation of duties.

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

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

Findings: We obtained a listing of all active cards from management and management's representation that the listing was complete. The Village has three accounts for cards.

12. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Findings: We selected the monthly statements for the three accounts for one month randomly selected.

We were unable to obtain any of the credit card statements requested for review.

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

Findings: We were unable to obtain any of the credit card statements requested for review.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration.
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (Procedure 1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: We were only able to obtain documentation of three reimbursements. Of the three, all used actual cost supported by original itemized receipts. One of the three was supported by documentation of business/public purpose and was reviewed and approved, in writing, by someone other than the person receiving the reimbursement. The remaining two reimbursements lacked documentation of business/public purpose and were not reviewed or approved, in writing, by someone other than the person receiving the reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.

- d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

The above procedures were not performed in the current year due to no exceptions in prior year testing.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Findings: We obtained a listing of employees/elected officials employed during the period and management's representations that the listing is completed. Per management, there were no records prior to January 1, 2019, to his knowledge. Subsequent to this date, management began retaining information and creating personnel files. After review, the six months recorded were sufficiently documented.

17. Randomly select one pay period during the fiscal period. For the five employees/officials selected under Procedure 16, obtain attendance records and leave documentation for the pay period and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Findings: During our procedures, we noted that selected employees/officials documented their daily attendance and leave during the selected pay period. We also noted that any leave accrued or taken during the pay period was reflected in the cumulative leave records. We noted that there was no evidence the supervisors approved the attendance and leave of the selected employees/officials for that pay period.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees'/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees'/officials' cumulative leave records, and agree the pay rates to the employees'/officials' authorized pay rates in the employees'/officials' personnel files.

Findings: Per management, there were no terminations during the period.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings: We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

20. Using the five randomly selected employees/officials from Procedure 16 under "Payroll and Personnel," obtain ethics documentation from management and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings: We obtained an attendance sheet for ethics training during the period, signed by those in attendance. The Village did not have a written policy in place regarding ethics during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Findings: We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete.

No exceptions were noted for the above procedure.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balance and payments to those required by debt covenants.

Findings: We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We inspected the debt covenants and obtained confirmations in the course of the audit of the Village.

During our review, we noted that the Village is not in compliance with debt covenants.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The above procedure was not performed in the current year due to no exceptions in prior year testing.

24. Observe that the entity has posted on its premises and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The above procedure was not performed in the current year due to no exceptions in prior year testing.

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF EXCEPTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Reference No.</u>	<u>Description of Exception</u>
<u>Policies and Procedures</u>	
Procedure 1	The Village did not have policies and procedures in place for budgeting, purchasing, disbursements, receipts, payroll/personnel, credit cards, travel and expense reimbursement, ad ethics, debt service, or disaster recovery/business continuity.
<u>Board or Finance Committee</u>	
Procedure 2b	There were not monthly budget-to-actual comparisons.
<u>Bank Reconciliations</u>	
Procedure 3b	Bank reconciliations did not contain evidence of management review.
<u>Collections</u>	
Procedure 5b	Persons responsible for collecting cash are also responsible for making deposits.
Procedure 7a	Sequentially pre-numbered receipts were not used.
Procedure 7b	No collection documentation other than deposit slips were received.
Procedure 7d	Deposits were not made within one business day of collection.
<u>Disbursements</u>	
Procedure 9d	The clerk is allowed to sign checks and is also responsible for mailing and processing payments.
Procedure 10b	We noted no evidence of segregation of duties relating to the selected disbursements.
<u>Credit Cards/Debit Cards/Fuel Cards/P-Cards</u>	
Procedures 12 and 13	We were unable to obtain any of the credit card statements requested for review.
<u>Travel and Expense Reimbursement</u>	
Procedure 14	Reimbursements did not document business purpose or evidence of review.
<u>Payroll and Personnel</u>	
Procedures 17b	We noted that there was no evidence the supervisors approved the attendance and leave of the selected employees/officials for that pay period.
<u>Ethics</u>	
Procedure 20	The Village did not have a written ethics policy in place.
<u>Debt Service</u>	
Procedure 22	The Village was not in compliance with debt covenants during the year.