

VILLAGE OF WATERPROOF, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

AS OF JUNE 30, 2016
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, 2016
With Supplementary Information Schedules

TABLE OF CONTENTS

	Statement	Page
INDEPENDENT AUDITOR'S REPORT -----		1-2
SECTION I - REQUIRED SUPPLEMENTARY INFORMATION		
Management's Discussion and Analysis -----		3-5
SECTION II - GOVERNMENT-WIDE FINANCIAL STATEMENTS		
Statement of Net Position-----	A	6
Statement of Activities-----	B	7
SECTION III - FUND FINANCIAL STATEMENTS		
Governmental Funds:		
Balance Sheet-----	C	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position -----	D	9
Statement of Revenues, Expenditures, and Changes in Fund Balance -----	E	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities-----	F	11
Proprietary Funds:		
Statement of Net Position-----	G	12
Statement of Revenues, Expenses, and Changes in Net Position-----	H	13
Statement of Cash Flows -----	I	14
NOTES TO THE FINANCIAL STATEMENTS-----		15-25
SECTION IV - ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund -----		26
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -----		27
OTHER SUPPLEMENTARY INFORMATION		
Compensation of the Chief Executive Officer and Governing Board -----		28

VILLAGE OF WATERPROOF, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2016
With Supplementary Information Schedules

TABLE OF CONTENTS

	Statement	Page
SECTION V - INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE		
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 <i>Government Auditing Standards</i> -----		29-30
SECTION VI - SCHEDULE OF FINDINGS		
Schedule of Findings -----		31
Schedule of Prior Audit Findings -----		32-33
Schedule of Current Year Findings, Recommendations, and Corrective Action Plan -----		34-36

INDEPENDENT AUDITOR'S REPORT

To the Honorable Caldwell Flood, Mayor
and the Board of Aldermen
Village of Waterproof, Louisiana

Report on the Financial Statements

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, 2016, 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 \$292,299, 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 \$292,299 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 of 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, 2016, 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 3 through 5 and 26 and 27 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 Aldermen and the schedule of compensation, benefits, and other payments to agency head on page 28 are 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 April 12, 2017, 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

April 12, 2017

SECTION I
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**VILLAGE OF WATERPROOF, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016 and June 30, 2015. 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, 2016, the Village's net position decreased by \$236,198 and resulted in ending net position of \$2,007,031 at June 30, 2016. Net position decreased by \$288,758 during the year ended June 30, 2015, and resulted in net position of \$2,243,229.

1. The cash balance for the Village was \$81,884 at June 30, 2016. The balance was \$147,392 at June 30, 2015.
2. The governmental activities had \$117,498 in revenues in 2016 and \$151,190 in 2015. These revenues primarily consisted of fines, sales taxes, ad valorem taxes, operating grants, and occupational licenses. Governmental activities had \$394,883 in expenditures in 2016 and \$460,049 in 2015.

The Village's business activities had \$738,763 in revenues in 2016 and \$741,173 in 2015. Revenues consisted primarily of gas and water sales. Business activities had \$745,741 in expenditures in 2016 and \$721,072 in 2015.

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, 2016**

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 8 through 14 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 15 through 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a condensed statement of the Village's net position as of June 30, 2016 and 2015:

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
Current assets	\$ 37,902	\$ 46,965	\$ 84,867	\$ 167,030
Restricted assets	-	46,898	46,898	46,699
Noncurrent assets - capital assets	<u>778,123</u>	<u>1,562,892</u>	<u>2,341,015</u>	<u>2,504,970</u>
Total assets	<u>\$ 816,025</u>	<u>\$ 1,656,755</u>	<u>\$ 2,472,780</u>	<u>\$ 2,718,699</u>
Deferred outflow of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ 21,230	\$ 38,636	\$ 59,866	\$ 26,588
Noncurrent liabilities	<u>-</u>	<u>405,883</u>	<u>405,883</u>	<u>448,882</u>
Total liabilities	<u>\$ 21,230</u>	<u>\$ 444,519</u>	<u>\$ 465,749</u>	<u>\$ 475,470</u>
Deferred inflow of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net position				
Investment in capital assets, net of related debt	\$ 778,123	\$ 1,137,395	\$ 1,915,518	\$ 2,066,088
Restricted for debt service and deposits	-	46,898	46,898	46,699
Unrestricted	<u>16,672</u>	<u>27,943</u>	<u>44,615</u>	<u>130,442</u>
Total net position	<u>\$ 794,795</u>	<u>\$ 1,212,236</u>	<u>\$ 2,007,031</u>	<u>\$ 2,243,229</u>

**VILLAGE OF WATERPROOF, LOUISIANA
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following is a summary of the statement of activities:

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
Revenues and Transfers				
Program revenues	\$ 117,498	\$ 715,703	\$ 833,201	\$ 814,811
Operating grants	-	23,060	23,060	2,485
General revenues	48,165	-	48,165	75,067
Transfers	107,188	(107,188)	-	-
Total revenues and transfers	\$ 272,851	\$ 631,575	\$ 904,426	\$ 892,363
Expenses				
General government and public safety	\$ 394,883	\$ -	\$ 394,883	\$ 460,049
Interest on debt	-	15,906	15,906	19,996
Combined utility	-	729,835	729,835	701,076
Total expenses	\$ 394,883	\$ 745,741	\$ 1,140,624	\$ 1,181,121
Decrease in net position	\$ (122,032)	\$ (114,166)	\$ (236,198)	\$ (288,758)
Net position, beginning	916,827	1,326,402	2,243,229	2,531,987
Net position, ending	\$ 794,795	\$ 1,212,236	\$ 2,007,031	\$ 2,243,229

COMMENTS ON GENERAL FUND COMPARISONS

The Village's budget was amended once during the last year. The budgeted expenditures were \$314,350, and the budgeted revenues including transfers in were \$314,730.

CAPITAL ASSETS

As of June 30, 2016, the Village had \$778,123 invested in capital assets in the governmental activities and \$1,562,892 in the business-type activities net of accumulated depreciation.

Capital asset additions in the General Fund for the year ended June 30, 2016, were:

Street signs	\$ 1,265
--------------	----------

The Proprietary Fund additions included:

Gas meters	\$ 23,060
------------	-----------

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 request for additional information may be directed to Mayor Caldwell Flood at (318) 749-5233.

SECTION II
GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF WATERPROOF, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 29,715	\$ 5,271	\$ 34,986
Receivables (net of allowance for uncollectible amounts)	8,187	38,439	46,626
Inventory	-	3,255	3,255
Restricted assets	-	40,309	40,309
Assigned assets	-	6,589	6,589
Capital assets (net)	<u>778,123</u>	<u>1,562,892</u>	<u>2,341,015</u>
Total assets	<u>\$ 816,025</u>	<u>\$ 1,656,755</u>	<u>\$ 2,472,780</u>
Deferred outflow of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	\$ 21,230	\$ 11,030	\$ 32,260
Customer deposits	-	7,992	7,992
Long-term liabilities:			
Due within one year	-	19,614	19,614
Due in more than one year	<u>-</u>	<u>405,883</u>	<u>405,883</u>
Total liabilities	<u>\$ 21,230</u>	<u>\$ 444,519</u>	<u>\$ 465,749</u>
Deferred inflow of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 778,123	\$ 1,137,395	\$ 1,915,518
Restricted for:			
Debt service	-	28,228	28,228
Customer deposits	-	12,081	12,081
Assigned to:			
Wastewater Treatment Plant	-	6,589	6,589
Unrestricted	<u>16,672</u>	<u>27,943</u>	<u>44,615</u>
Total net position	<u>\$ 794,795</u>	<u>\$ 1,212,236</u>	<u>\$ 2,007,031</u>

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

VILLAGE OF WATERPROOF, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Activities	Expenses	Program Revenues		Net (Expenses), Revenues, and Changes in Net Position		Total
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Governmental activities						
General government and public safety	\$ 394,883	\$ 117,498	\$ -	\$ (277,385)	\$ -	\$ (277,385)
Total governmental activities	<u>\$ 394,883</u>	<u>\$ 117,498</u>	<u>\$ -</u>	<u>\$ (277,385)</u>	<u>\$ -</u>	<u>\$ (277,385)</u>
Business-type activities						
Utilities	\$ 745,741	\$ 715,703	\$ 23,060	\$ -	\$ (6,978)	\$ (6,978)
Total business-type activities	<u>\$ 745,741</u>	<u>\$ 715,703</u>	<u>\$ 23,060</u>	<u>\$ -</u>	<u>\$ (6,978)</u>	<u>\$ (6,978)</u>
Total	<u>\$ 1,140,624</u>	<u>\$ 833,201</u>	<u>\$ 23,060</u>	<u>\$ (277,385)</u>	<u>\$ (6,978)</u>	<u>\$ (284,363)</u>
General Revenues:						
Taxes				\$ 35,479	\$ -	\$ 35,479
Licenses				12,686	-	12,686
Transfers				107,188	(107,188)	-
Total general revenues and transfers				<u>\$ 155,353</u>	<u>\$ (107,188)</u>	<u>\$ 48,165</u>
Change in net position				\$ (122,032)	\$ (114,166)	\$ (236,198)
Net position, beginning of year				916,827	1,326,402	2,243,229
Net position, end of year				<u>\$ 794,795</u>	<u>\$ 1,212,236</u>	<u>\$ 2,007,031</u>

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, 2016

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 29,715
Receivables (net of allowance for uncollectible accounts)	<u>8,187</u>
Total assets	<u>\$ 37,902</u>
Deferred outflows of resources	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts, salaries, and other payables	<u>\$ 21,230</u>
Deferred inflows of resources	<u>\$ -</u>
Fund balance:	
Unassigned	<u>\$ 16,672</u>
Total liabilities and fund balance	<u>\$ 37,902</u>

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, 2016

Fund balance, total governmental funds (Statement C)	\$ 16,672
<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>778,123</u>
Net position of governmental activities (Statement A)	<u>\$ 794,795</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, 2016

	General Fund
<u>REVENUES</u>	
Taxes	\$ 35,479
Licenses and permits	12,686
Fines	98,688
Charges for services	<u>18,810</u>
Total revenues	<u>\$ 165,663</u>
<u>EXPENDITURES</u>	
Current	
General government and public safety	\$ 312,880
Total expenditures	<u>\$ 312,880</u>
Excess of revenues under expenditures	<u>\$ (147,217)</u>
Other financing sources:	
Transfers in	\$ 107,188
Total other financing sources	<u>\$ 107,188</u>
Net changes in fund balances	\$ (40,029)
Fund balances, beginning of year	<u>56,701</u>
Fund balances, end of year	<u>\$ 16,672</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, 2016

Net change in fund balance, total governmental funds, (Statement E)	\$	(40,029)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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 depreciation of \$83,268 exceeded capital outlays of \$1,265.</p>		
		<u>(82,003)</u>
Change in net position of governmental activities, (Statement B)	\$	<u>(122,032)</u>

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

VILLAGE OF WATERPROOF, LOUISIANA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Utility Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 5,271
Accounts receivable, utility sales (net of allowance for doubtful accounts of (\$235,000))	38,439
Inventory	<u>3,255</u>
Total current assets	<u>\$ 46,965</u>
Noncurrent assets:	
Restricted assets:	
Bond reserve fund	\$ 14,150
Bond contingency fund	14,078
Customer deposits	<u>12,081</u>
Total restricted assets	<u>\$ 40,309</u>
Assigned assets:	
Wastewater contingency fund	<u>\$ 6,589</u>
Total noncurrent assets	<u>\$ 46,898</u>
Capital assets:	
Property, plant, and equipment	\$ 5,581,600
Less accumulated depreciation	<u>(4,018,708)</u>
Net capital assets	<u>\$ 1,562,892</u>
Total assets	<u>\$ 1,656,755</u>
<u>LIABILITIES</u>	
Current liabilities (payable from current assets):	
Accounts payable	<u>\$ 11,030</u>
Total current liabilities payable from current assets	<u>\$ 11,030</u>
Current liabilities (payable from restricted assets):	
Customer deposits	\$ 7,992
Current portion of long-term debt	<u>19,614</u>
Total current liabilities payable from restricted assets	<u>\$ 27,606</u>
Long-term liabilities	<u>\$ 405,883</u>
Total liabilities	<u>\$ 444,519</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 1,137,395
Restricted for debt service	28,228
Restricted for customer deposits	12,081
Assigned to Wastewater Treatment Plant	6,589
Unrestricted	<u>27,943</u>
Total net position	<u>\$ 1,212,236</u>

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

**VILLAGE OF WATERPROOF, LOUISIANA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Utility Fund</u>
Operating revenue:	
Charges for services	
Gas sales	\$ 446,336
Water sales	170,947
Sewer service sales	45,523
Garbage sales	22,380
Intergovernmental:	
State grants	30,517
Other income	<u>23,060</u>
Total operating revenue	<u>\$ 738,763</u>
Operating expenses:	
Gas purchases	\$ 58,658
Water purchases	86,945
Salaries	53,453
Provision for bad debts	292,299
Depreciation	105,012
Utilities	21,366
Plant supplies	6,034
Payroll taxes	4,192
Repairs	13,072
Testing and outside services	42,395
Office supplies	3,644
Dues and subscriptions	2,624
Automobile expenses	14,822
Professional fees	4,473
Insurance	7,972
Other expenses	<u>12,874</u>
Total operating expenses	<u>\$ 729,835</u>
Operating income	<u>\$ 8,928</u>
Nonoperating expenses	
Interest expense	\$ 15,906
Total nonoperating expenses	<u>\$ 15,906</u>
Operating transfers	
Transfers (out)	\$ (107,188)
Total operating transfers	<u>\$ (107,188)</u>
Net changes in net position	\$ (114,166)
Net position, beginning of year	<u>1,326,402</u>
Net position, end of year	<u>\$ 1,212,236</u>

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

VILLAGE OF WATERPROOF, LOUISIANA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from customers	\$ 758,041
Cash paid to employees	(53,453)
Cash paid to suppliers	(571,594)
Net cash provided by operating activities	<u>\$ 132,994</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	\$ (107,188)
Increase in customer deposits	519
Net cash used for noncapital financing activities	<u>\$ (106,669)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (23,060)
Principal paid on notes payable	(23,385)
Interest paid on notes payable	(15,906)
Net cash used for capital and related financing activities	<u>\$ (62,351)</u>
Net decrease in cash	\$ (36,026)
Cash at beginning of year	<u>88,195</u>
Cash at end of year	<u>\$ 52,169</u>
Reconciliation of operating income to net cash provided by:	
Operating income	\$ 8,928
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	105,012
Changes in assets and liabilities:	
Decrease in accounts receivable	19,278
(Decrease) in accounts payable	(850)
Decrease in other assets	626
Net cash provided by operating activities	<u>\$ 132,994</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, 2016**

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 were 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 1,000 people.
6. The Village has approximately 10 full-time employees.
7. The Village has approximately 230 utility customers.

GASB Statement No. 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 No. 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, 2016

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 Enterprise 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 of Waterproof, 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, 2016

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, 2016

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	13.03	13.03	Permanent
Corporate purposes	24.29	24.29	2016

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, 2016

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 ten 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, 2016**

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 No. 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 fifteen 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, 2016

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 ten 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 to 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, 2016, the municipality has cash and cash equivalents (book balances) totaling \$81,884. 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, 2016, the municipality has \$84,489 in deposits (collected bank balances). These deposits are secured from risk by \$84,489 of federal deposit insurance.

NOTE 4 - RECEIVABLES

The receivables for June 30, 2016, are as follows:

<u>Class of Receivables</u>	<u>General Fund</u>	<u>Utility Fund</u>
Fines	\$ 8,187	\$ -
Utility fees	-	273,439
Less allowance for uncollectibles	-	(235,000)
Total	<u>\$ 8,187</u>	<u>\$ 38,439</u>

VILLAGE OF WATERPROOF, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2016, 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	658,563	1,265	(120,173)	539,655
Streets	<u>547,718</u>	<u>-</u>	<u>-</u>	<u>547,718</u>
Total capital assets being depreciated	<u>\$ 1,546,471</u>	<u>\$ 1,265</u>	<u>\$ (120,173)</u>	<u>\$ 1,427,563</u>
Less accumulated depreciation for:				
Buildings	\$ (152,952)	\$ (8,708)	\$ -	\$ (161,660)
Machinery and equipment	(438,028)	(38,045)	120,173	(355,900)
Streets	<u>(118,673)</u>	<u>(36,515)</u>	<u>-</u>	<u>(155,188)</u>
Total accumulated depreciation	<u>\$ (709,653)</u>	<u>\$ (83,268)</u>	<u>\$ 120,173</u>	<u>\$ (672,748)</u>
Governmental activities capital assets, net	<u>\$ 860,126</u>	<u>\$ (82,003)</u>	<u>\$ -</u>	<u>\$ 778,123</u>

Depreciation expense of \$83,268 for the year ended June 30, 2016, was charged to the following governmental functions:

Police and fire	<u>\$ 83,268</u>
-----------------	------------------

VILLAGE OF WATERPROOF, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 3,179,312	\$ -	\$ (11,549)	\$ 3,167,763
Gas system lines and equipment	812,157	23,060	(17,265)	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>\$ 5,548,494</u>	<u>\$ 23,060</u>	<u>\$ (28,814)</u>	<u>\$ 5,542,740</u>
Less accumulated depreciation for:				
Water system lines and equipment	\$ (2,146,278)	\$ (76,650)	\$ 11,549	\$ (2,211,379)
Gas system lines and equipment	(812,156)	(3,460)	17,265	(798,351)
Sewer system lines and equipment	(848,975)	(24,902)	-	(873,877)
Garbage vehicles and equipment	<u>(135,101)</u>	<u>-</u>	<u>-</u>	<u>(135,101)</u>
Total accumulated depreciation	<u>\$ (3,942,510)</u>	<u>\$ (105,012)</u>	<u>\$ 28,814</u>	<u>\$ (4,018,708)</u>
Business-type activities, capital assets, net	<u>\$ 1,644,844</u>	<u>\$ (81,952)</u>	<u>\$ -</u>	<u>\$ 1,562,892</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>\$ 107,188</u>

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2016:

	Certificates Of Indebtedness	Revenue Bonds	Total
Long-term obligations at beginning of year	\$ 43,000	\$ 405,882	\$ 448,882
Deductions	(7,000)	(16,385)	(23,385)
Long-term obligations at end of year	<u>\$ 36,000</u>	<u>\$ 389,497</u>	<u>\$ 425,497</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, 2016:

	Certificates Of Indebtedness	Revenue Bonds	Total
Current portion	\$ 6,000	\$ 13,614	\$ 19,614
Long-term portion	30,000	375,883	405,883
Long-term obligations at end of year	<u>\$ 36,000</u>	<u>\$ 389,497</u>	<u>\$ 425,497</u>

Long-term debt at June 30, 2016, 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%.	\$ 36,000
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%.	389,497
	<u>\$ 425,497</u>

The annual requirements to amortize long-term debt outstanding at June 30, 2016, are as follows:

<u>Year ending June 30,</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>
2017	\$ 6,000	\$ 885	\$ 13,614	\$ 17,567	\$ 19,614	\$ 18,452
2018	7,000	735	14,234	16,947	21,234	17,682
2019	7,000	555	14,894	16,287	21,894	16,842
2020	8,000	345	15,578	15,603	23,578	15,948
2021	8,000	120	16,294	14,887	24,294	15,007
2022-2026	-	-	93,410	62,495	93,410	62,495
2027-2031	-	-	117,13	38,775	117,130	38,775
2032-2036	-	-	<u>104,343</u>	<u>10,304</u>	<u>104,343</u>	<u>10,304</u>
Total	<u>\$ 36,000</u>	<u>\$ 2,640</u>	<u>\$ 389,497</u>	<u>\$ 192,865</u>	<u>\$ 425,497</u>	<u>\$ 195,505</u>

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

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 \$14,150 at June 30, 2016. Deposits shall be made into the fund until a balance of \$31,180 has been accumulated into the fund. At June 30, 2016, 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, 2016. At June 30, 2015, 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. A 401(k) was established, but we were unable to determine any information about the plan, the participants, or the contributions.

SECTION IV
ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF WATERPROOF, LOUISIANA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Differences
	<u>Original</u>	<u>Final</u>	<u>Budget Basis</u>	<u>Over/(Under)</u>
Revenue:				
Taxes	\$ 37,500	\$ 14,000	\$ 35,479	\$ 21,479
Licenses and permits	11,500	10,000	12,686	2,686
Fines	70,000	100,000	95,240	(4,760)
Charges for services	<u>49,030</u>	<u>48,730</u>	<u>18,810</u>	<u>(29,920)</u>
Total revenues	<u>\$ 168,030</u>	<u>\$ 172,730</u>	<u>\$ 162,215</u>	<u>\$ (10,515)</u>
Expenditures:				
General government and public safety	\$ 350,768	\$ 313,050	\$ 297,620	\$ 15,430
Capital outlays	<u>-</u>	<u>1,300</u>	<u>1,265</u>	<u>35</u>
Total expenditures	<u>\$ 350,768</u>	<u>\$ 314,350</u>	<u>\$ 298,885</u>	<u>\$ 15,465</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (182,738)</u>	<u>\$ (141,620)</u>	<u>\$ (136,670)</u>	<u>\$ 4,950</u>
Other financing sources:				
Transfers in	<u>\$ 182,738</u>	<u>\$ 142,000</u>	<u>\$ 107,188</u>	<u>\$ (34,812)</u>
Total other financing sources	<u>\$ 182,738</u>	<u>\$ 142,000</u>	<u>\$ 107,188</u>	<u>\$ (34,812)</u>
Net change in fund balances	\$ -	\$ 380	\$ (29,482)	\$ (29,862)
Fund balance, beginning of year	<u>59,197</u>	<u>59,197</u>	<u>59,197</u>	<u>-</u>
Fund balance, end of year	<u>\$ 59,197</u>	<u>\$ 59,577</u>	<u>\$ 29,715</u>	<u>\$ (29,862)</u>

See Independent Auditor's Report.

VILLAGE OF WATERPROOF, LOUISIANA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016

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	\$ (29,482)
Increase (decrease)	
Net adjustments for revenue accruals	3,448
Net adjustments for expenditure accruals	<u>(13,995)</u>
Net change in fund balance - GAAP basis	<u>\$ (40,029)</u>

See Independent Auditor's Report.

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, 2016

Compensation of Aldermen

Henry Jenkins	\$ 6,000
Robert Clarke	6,000
Veronica Stacker	<u>6,000</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

Salary	<u>\$ 12,538</u>
--------	------------------

SECTION V
REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE



209 N. Commerce Street
 P.O. Box 1027
 Natchez, Mississippi 39121-1027
 Telephone: 601.442.7411
 Fax: 601.442.8551

www.silassimmons.com

**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 Caldwell Flood, 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, 2016, 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 April 12, 2017.

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 2016-1, 2016-2, and 2016-3 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 accompany 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 is described in the accompanying schedule of findings as items 2016-4 and 2016-5.

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
April 12, 2017

**SECTION VI
SCHEDULE OF FINDINGS**

VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements:				
2015-1	6-30-2007	<p><u>Reconciliation of Utility Accounts Receivable to Subsidiary Ledger</u> As reported in finding 2014-1 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 subsidiary balance is \$982,520, and one customer is listed as owing \$840,588.</p> <p>The subsidiary is apparently not being reviewed on a monthly basis and is not being corrected for posting errors. Also, obvious bad debts are not being written off during the year.</p> <p>The general ledger balance was adjusted to \$263,536 at year end, and the reserve for bad debts was adjusted to \$235,000. The net accounts receivable is a reasonable balance considering subsequent collections. The net of the adjustments is debited to bad debts of \$114,901. These adjustments are the basis for the qualified opinion rendered on these financial statements.</p> <p><u>Recommendation</u> We recommend that the Village perform the following tasks:</p> <ol style="list-style-type: none"> 1. Review the subsidiary ledger and adjust and/or write-off all the customers’ balances that are incorrect or bad debts. 2. On a monthly basis, reconcile the accounts receivable per the subsidiary ledger of the customers’ balance. 3. Continue to evaluate the collectability of the accounts receivable, and adjust the reserve for bad debts accordingly. 	No	This finding is reported in the current year as Finding 2016-1.

VILLAGE OF WATERPROOF, LOUISIANA
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2016

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section 1 - Internal Control and Compliance Material to the Financial Statements: (continued)				
2015-2	6-30-2007	<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 reconcile its utility deposits in the subsidiary ledger to its general ledger each month.</p>	No	This finding is reported in the current year as Finding 2015-2.
2015-3	6-30-2014	<p><u>Late Filing of Audit Reports</u> The Village is required to submit an audit of its financial statements of the Louisiana Legislative Auditor within six months of its fiscal year end. This June 30, 2015, audit was due to be filed by December 31, 2015; however, the general ledger was not available until January 2016.</p> <p><u>Recommendation</u> We recommend that the Village provide information needed to the auditor in a timely manner to assure that all subsequent audits are filed with the Louisiana Legislative Auditor in a timely manner.</p>	No	This finding is reported in the current year as Finding 2016-4.

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Ref. No.</u>	<u>Description of Finding</u>
Section I – Internal Control and Compliance Material to the Financial Statements:	
2016-1	<p><u>Reconcilement of Utility Accounts Receivable to Subsidiary Ledger</u></p> <p>Condition: As reported in Finding 2015-1 last year, 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 of Condition: The Village has a substantial amount of old accounts receivable on the subsidiary ledger, which results in the subsidiary not being a true representation of accounts receivable.</p> <p>Effect of Condition: 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 \$245,349, according to the customer balance report. The cash collections in the subsequent month was \$28,612. At the same time, the general ledger indicated the accounts receivable was \$565,319, 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, 2016.</p> <p>Contact Person: Mayor Caldwell Flood</p>
2016-2	<p><u>Reconcilement of Utility Deposit</u></p> <p>Condition: As reported in Finding 2015-2 last year, 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 of Condition: The Village does not provide the external bookkeeper with the appropriate report to reconcile the customer deposits monthly.</p> <p>Effect of Condition: The general ledger balance of customer meter deposits is not being reconciled to the subsidiary ledger (Deposit Report). The general ledger's balance was \$7,574, and the Deposit Report's balance was \$7,992.</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, 2016.</p> <p>Contact Person: Mayor Caldwell Flood</p>

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Ref. No.</u>	<u>Description of Finding</u>
Section I - Internal Control and Compliance Material to the Financial Statements: (continued)	
2016-3	<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 of Condition: Small size of entity and lack of employees.</p> <p>Effect of Condition: 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 Caldwell Flood</p> <p>Anticipated Completion Date: N/A</p>
2016-4	<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, 2016.</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, 2016.</p> <p>Cause of Condition: The financial statements were due on December 31, 2016, but the books and records were not available until April of 2017. This did not allow enough time to complete the audit.</p> <p>Effect of Condition: The Village is on the noncompliance list with the State of Louisiana.</p> <p>Recommendation: We recommend that the Village have 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, 2016.</p> <p>Contact Person: Mayor Caldwell Flood</p>

VILLAGE OF WATERPROOF, LOUISIANA
 SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
 CORRECTIVE ACTION PLAN
 FOR THE YEAR ENDED JUNE 30, 2016

<u>Ref. No.</u>	<u>Description of Finding</u>
Section I - Internal Control and Compliance Material to the Financial Statements: (continued)	
2016-5	<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 fund, 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 of Condition: The Village overlooked this requirement in the current year.</p> <p>Effect of Condition: 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 make deposits to replace those not made in previous months.</p> <p>Corrective Action Taken: No corrective action has been taken as of June 30, 2016.</p> <p>Contact Person: Mayor Caldwell Flood</p>