

VILLAGE OF WATERPROOF, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

AS OF JUNE 30, 2017
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, 2017
With Supplementary Information Schedules

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VILLAGE OF WATERPROOF, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2017
With Supplementary Information Schedules

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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, 2017, 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 \$204,742, 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 \$204,742 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, 2017, 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 the Chief Executive Officer and Governing Board on page 28 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 June 7, 2018, 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

June 7, 2018

SECTION I
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**VILLAGE OF WATERPROOF, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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, 2017 and June 30, 2016. 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, 2017, the Village's net position decreased by \$293,687 and resulted in ending net position of \$1,713,344 at June 30, 2017. Net position decreased by \$236,198 during the year ended June 30, 2016, and resulted in net position of \$2,007,031.

1. The cash balance for the Village was \$17,268 at June 30, 2017. The balance was \$81,884 at June 30, 2016.
2. The governmental activities had \$196,415 in revenues in 2017 and \$165,663 in 2016. These revenues primarily consisted of fines, sales taxes, ad valorem taxes, operating grants, and occupational licenses. Governmental activities had \$368,847 in expenditures in 2017 and \$394,883 in 2016.

The Village's business activities had \$472,040 in revenues in 2017 and \$738,763 in 2016. Revenues consisted primarily of gas and water sales. Business activities had \$597,808 in expenditures in 2017 and \$745,741 in 2016.

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, 2017**

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, 2017 and 2016:

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
Current assets	\$ 11,580	\$ 36,717	\$ 48,297	\$ 84,867
Restricted assets	-	17,277	17,277	46,898
Noncurrent assets – capital assets	<u>696,677</u>	<u>1,457,100</u>	<u>2,153,777</u>	<u>2,341,015</u>
Total assets	<u>\$ 708,257</u>	<u>\$ 1,511,094</u>	<u>\$ 2,219,351</u>	<u>\$ 2,472,780</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ 26,132	\$ 96,396	\$ 122,528	\$ 59,866
Noncurrent liabilities	<u>-</u>	<u>383,479</u>	<u>383,479</u>	<u>405,883</u>
Total liabilities	<u>\$ 26,132</u>	<u>\$ 479,875</u>	<u>\$ 506,007</u>	<u>\$ 465,749</u>
Deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net position				
Investment in capital assets, net of related debt	\$ 696,677	\$ 1,052,387	\$ 1,749,064	\$ 1,915,518
Restricted for debt service and deposits	-	17,277	17,277	46,898
Unrestricted	<u>(14,552)</u>	<u>(38,445)</u>	<u>(52,997)</u>	<u>44,615</u>
Total net position	<u>\$ 682,125</u>	<u>\$ 1,031,219</u>	<u>\$ 1,713,344</u>	<u>\$ 2,007,031</u>

**VILLAGE OF WATERPROOF, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following is a summary of the statement of activities:

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
Revenues and Transfers				
Program revenues	\$ 147,815	\$ 472,040	\$ 619,855	\$ 833,201
Operating grants	-	4,513	4,513	23,060
General revenues	48,600	-	48,600	48,165
Transfers	<u>59,762</u>	<u>(59,762)</u>	<u>-</u>	<u>-</u>
Total revenues and transfers	<u>\$ 256,177</u>	<u>\$ 416,791</u>	<u>\$ 672,968</u>	<u>\$ 904,426</u>
Expenses				
General government and public safety	\$ 368,847	\$ -	\$ 368,847	\$ 394,883
Interest on debt	-	17,877	17,877	15,906
Combined utility	<u>-</u>	<u>579,931</u>	<u>579,931</u>	<u>729,835</u>
Total expenses	<u>\$ 368,847</u>	<u>\$ 597,808</u>	<u>\$ 966,655</u>	<u>\$ 1,140,624</u>
Decrease in net position	\$ (112,670)	\$ (181,017)	\$ (293,687)	\$ (236,198)
Net position, beginning	<u>794,795</u>	<u>1,212,236</u>	<u>2,007,031</u>	<u>2,243,229</u>
Net position, ending	<u>\$ 682,125</u>	<u>\$ 1,031,219</u>	<u>\$ 1,713,344</u>	<u>\$ 2,007,031</u>

COMMENTS ON GENERAL FUND COMPARISONS

The Village's budget was not amended during the last year. The budgeted expenditures were \$313,750, and the budgeted revenues including transfers in were \$314,280.

CAPITAL ASSETS

As of June 30, 2017, the Village had \$696,677 invested in capital assets in the governmental activities and \$1,457,100 in the business-type activities net of accumulated depreciation.

Capital asset additions in the General Fund for the year ended June 30, 2017, were:

No assets were added

The Proprietary Fund additions included:

Computers \$ 5,485

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, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Receivables (net of allowance for uncollectible amounts)	\$ 11,580	\$ 33,462	\$ 45,042
Inventory	-	3,255	3,255
Restricted assets	-	17,268	17,268
Assigned assets	-	9	9
Capital assets (net)	<u>696,677</u>	<u>1,457,100</u>	<u>2,153,777</u>
Total assets	<u>\$ 708,257</u>	<u>\$ 1,511,094</u>	<u>\$ 2,219,351</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES</u>			
Overdraft	\$ 4,531	\$ 1,102	\$ 5,633
Accounts, salaries, and other payables	21,601	61,888	83,489
Customer deposits	-	12,172	12,172
Long-term liabilities:			
Due within one year	-	21,234	21,234
Due in more than one year	<u>-</u>	<u>383,479</u>	<u>383,479</u>
Total liabilities	<u>\$ 26,132</u>	<u>\$ 479,875</u>	<u>\$ 506,007</u>
Deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 696,677	\$ 1,052,387	\$ 1,749,064
Restricted for:			
Debt service	-	14,928	14,928
Customer deposits	-	2,340	2,340
Assigned to:			
Wastewater treatment plant	-	9	9
Unrestricted	<u>(14,552)</u>	<u>(38,445)</u>	<u>(52,997)</u>
Total net position	<u>\$ 682,125</u>	<u>\$ 1,031,219</u>	<u>\$ 1,713,344</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, 2017

Activities	Expenses	Program Revenues		Net (Expenses), Revenues, and Changes in Net Position		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government and public safety	\$ 368,847	\$ 147,815	\$ -	\$ (221,032)	\$ -	\$ (221,032)
Total governmental activities	\$ 368,847	\$ 147,815	\$ -	\$ (221,032)	\$ -	\$ (221,032)
Business-type activities						
Utilities	\$ 597,808	\$ 472,040	\$ 4,513	\$ -	\$ (121,255)	\$ (121,255)
Total business-type activities	\$ 597,808	\$ 472,040	\$ 4,513	\$ -	\$ (121,255)	\$ (121,255)
Total	\$ 966,655	\$ 619,855	\$ 4,513	\$ (221,032)	\$ (121,255)	\$ (342,287)
General Revenues:						
Taxes				\$ 32,547	\$ -	\$ 32,547
Licenses				16,053	-	16,053
Transfers				59,762	(59,762)	-
Total general revenues and transfers				\$ 108,362	\$ (59,762)	\$ 48,600
Change in net position				\$ (112,670)	\$ (181,017)	\$ (293,687)
Net position, beginning of year				794,795	1,212,236	2,007,031
Net position, end of year				\$ 682,125	\$ 1,031,219	\$ 1,713,344

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, 2017

	<u>General Fund</u>
<u>ASSETS</u>	
Receivables (net of allowance for uncollectible accounts)	\$ <u>11,580</u>
Total assets	\$ <u>11,580</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Overdrafts	\$ 4,531
Accounts, salaries, and other payables	<u>21,601</u>
Total liabilities	\$ <u>26,132</u>
Fund balance:	
Unassigned	\$ <u>(14,552)</u>
Total liabilities and fund balance	<u>\$ 11,580</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, 2017

Fund Balance, Total Governmental Funds (Statement C)	\$	(14,552)
<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		696,677
Net Position of Governmental Activities (Statement A)	\$	682,125

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, 2017

	<u>General Fund</u>
<u>REVENUES</u>	
Taxes	\$ 32,547
Licenses and permits	16,053
Fines	139,455
Charges for services	8,360
Total revenues	<u>\$ 196,415</u>
 <u>EXPENDITURES</u>	
Current	
General government and public safety	\$ 287,401
Total expenditures	<u>\$ 287,401</u>
Excess of revenues under expenditures	<u>\$ (90,986)</u>
Other financing sources:	
Transfers in	\$ 59,762
Total other financing sources	<u>\$ 59,762</u>
Net changes in fund balances	\$ (31,224)
Fund balances, beginning of year	<u>16,672</u>
Fund balances, end of year	<u>\$ (14,552)</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, 2017**

Net change in fund balance, total governmental funds, (Statement E)	\$	(31,224)
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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 depreciation of \$81,446 exceeded capital outlays of \$0.

(81,446)

Change in net position of governmental activities, (Statement B)	\$	<u>(112,670)</u>
--	----	------------------

(112,670)

VILLAGE OF WATERPROOF, LOUISIANA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	<u>Utility Fund</u>
<u>ASSETS</u>	
Current assets:	
Accounts receivable, utility sales [net of allowance for doubtful accounts of (\$235,000)]	\$ 33,462
Inventory	3,255
Total current assets	<u>\$ 36,717</u>
Noncurrent assets:	
Restricted assets:	
Bond reserve fund	\$ 850
Bond contingency fund	14,078
Customer deposits	2,340
Total restricted assets	<u>\$ 17,268</u>
Assigned assets:	
Wastewater contingency fund	<u>\$ 9</u>
Total noncurrent assets	<u>\$ 17,277</u>
Capital assets:	
Property, plant, and equipment	\$ 5,587,085
Less accumulated depreciation	<u>(4,129,985)</u>
Net capital assets	<u>\$ 1,457,100</u>
Total assets	<u>\$ 1,511,094</u>
<u>LIABILITIES</u>	
Current liabilities (payable from current assets):	
Overdraft	\$ 1,102
Accounts payable	61,888
Total current liabilities payable from current assets	<u>\$ 62,990</u>
Current liabilities (payable from restricted assets):	
Customer deposits	\$ 12,172
Current portion of long-term debt	21,234
Total current liabilities payable from restricted assets	<u>\$ 33,406</u>
Long-term liabilities	<u>\$ 383,479</u>
Total liabilities	<u>\$ 479,875</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 1,052,387
Restricted for debt service	14,928
Restricted for customer deposits	2,340
Assigned to Wastewater Treatment Plant	9
Unrestricted	<u>(38,445)</u>
Total net position	<u>\$ 1,031,219</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, 2017

	<u>Utility Fund</u>
Operating revenue:	
Charges for services	
Gas sales	\$ 179,974
Water sales	208,925
Sewer service sales	48,330
Garbage sales	21,468
Intergovernmental:	
Federal grants	4,513
Other income	<u>13,343</u>
Total operating revenue	<u>\$ 476,553</u>
 Operating expenses:	
Gas purchases	\$ 25,272
Water purchases	87,108
Salaries	48,230
Provision for bad debts	204,742
Depreciation	111,277
Utilities	20,547
Plant supplies	5,295
Payroll taxes	4,109
Repairs	14,770
Testing and outside services	19,799
Office supplies	913
Dues and subscriptions	1,150
Automobile expenses	9,782
Professional fees	2,740
Insurance	6,636
Other expenses	<u>17,081</u>
Total operating expenses	<u>\$ 579,451</u>
 Operating loss	 <u>\$ (102,898)</u>
 Nonoperating expenses	
Interest expense	\$ (18,357)
Total nonoperating expenses	<u>\$ (18,357)</u>
 Operating transfers	
Transfers (out)	\$ (59,762)
Total operating transfers	<u>\$ (59,762)</u>
 Net changes in net position	 \$ (181,017)
 Net position, beginning of year	 <u>1,212,236</u>
 Net position, end of year	 <u>\$ 1,031,219</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, 2017

Cash flows from operating activities:	
Cash received from customers	\$ 481,530
Cash paid to employees	(48,230)
Cash paid to suppliers	(367,984)
Net cash provided by operating activities	<u>\$ 65,316</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	\$ (59,762)
Increase in customer deposits	4,180
Net cash used for noncapital financing activities	<u>\$ (55,582)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (5,485)
Principal paid on notes payable	(20,784)
Interest paid on notes payable	(18,357)
Net cash used for capital and related financing activities	<u>\$ (44,626)</u>
Net decrease in cash	\$ (34,892)
Cash at beginning of year	<u>52,169</u>
Cash at end of year	<u><u>\$ 17,277</u></u>
Reconciliation of operating loss to net cash provided by:	
Operating loss	\$ (102,898)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	111,277
Changes in assets and liabilities:	
Decrease in accounts receivable	4,977
Increase in accounts payable	51,960
Decrease in other assets	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 65,316</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, 2017**

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 384 utility customers.

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, 2017

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, 2017

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, 2017**

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, 2017**

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, 2017**

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 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, 2017**

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, 2017, the municipality has cash and cash equivalents (book balances) totaling \$17,277. 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, 2017, the municipality has \$18,917 in deposits (collected bank balances). These deposits are secured from risk by \$18,917 of federal deposit insurance.

NOTE 4 - RECEIVABLES

The receivables for June 30, 2017, are as follows:

<u>Class of Receivables</u>	<u>General Fund</u>	<u>Utility Fund</u>
Fines	\$ 11,580	\$ -
Utility fees	-	268,462
Less allowance for uncollectibles	-	(235,000)
Total	<u>\$ 11,580</u>	<u>\$ 33,462</u>

VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2017, for the primary government, are as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
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	\$ (161,660)	\$ (9,333)	\$ -	\$ (170,993)
Machinery and equipment	(355,900)	(35,472)	-	(391,372)
Streets	<u>(155,188)</u>	<u>(36,641)</u>	<u>-</u>	<u>(191,829)</u>
Total accumulated depreciation	<u>\$ (672,748)</u>	<u>\$ (81,446)</u>	<u>\$ -</u>	<u>\$ (754,194)</u>
Governmental activities capital assets, net	<u>\$ 778,123</u>	<u>\$ (81,446)</u>	<u>\$ -</u>	<u>\$ 696,677</u>

Depreciation expense of \$81,446 for the year ended June 30, 2017, was charged to the following governmental functions:

Police and fire	<u>\$ 81,446</u>
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VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 3,167,763	\$ 5,485	\$ -	\$ 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>\$ 5,542,740</u>	<u>\$ 5,485</u>	<u>\$ -</u>	<u>\$ 5,548,225</u>
Less accumulated depreciation for:				
Water system lines and equipment	\$ (2,211,379)	\$ (77,083)	\$ -	\$ (2,288,462)
Gas system lines and equipment	(798,351)	(4,612)	-	(802,963)
Sewer system lines and equipment	(873,877)	(24,902)	-	(898,779)
Garbage vehicles and equipment	<u>(135,101)</u>	<u>(4,680)</u>	<u>-</u>	<u>(139,781)</u>
Total accumulated depreciation	<u>\$ (4,018,708)</u>	<u>\$ (111,277)</u>	<u>\$ -</u>	<u>\$ (4,129,985)</u>
Business-type activities, capital assets, net	<u>\$ 1,562,892</u>	<u>\$ (105,792)</u>	<u>\$ -</u>	<u>\$ 1,457,100</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>\$ 59,762</u>

VILLAGE OF WATERPROOF, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2017:

	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Total</u>
Long-term obligations at beginning of year	\$ 36,000	\$ 389,497	\$ 425,497
Deductions	<u>(7,000)</u>	<u>(13,784)</u>	<u>(20,784)</u>
Long-term obligations at end of year	<u>\$ 29,000</u>	<u>\$ 375,713</u>	<u>\$ 404,713</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, 2017:

	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Total</u>
Current portion	\$ 7,000	\$ 14,234	\$ 21,234
Long-term portion	<u>22,000</u>	<u>361,479</u>	<u>383,479</u>
Long-term obligations at end of year	<u>\$ 29,000</u>	<u>\$ 375,713</u>	<u>\$ 404,713</u>

Long-term debt at June 30, 2017, 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%.	\$ 29,000
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>375,713</u>
	<u>\$ 404,713</u>

The annual requirements to amortize long-term debt outstanding at June 30, 2017, 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>
2018	\$ 7,000	\$ 810	\$ 14,234	\$ 16,947	\$ 21,234	\$ 17,757
2019	7,000	660	14,894	16,287	21,894	16,947
2020	7,000	450	15,578	15,603	22,578	16,053
2021	8,000	240	16,294	14,887	24,294	15,127
2022	-	-	17,043	14,138	17,043	14,138
2023-2027	-	-	97,701	58,204	97,701	58,204
2028-2032	-	-	122,502	33,403	122,502	33,403
2033-2036	<u>-</u>	<u>-</u>	<u>77,467</u>	<u>5,829</u>	<u>77,467</u>	<u>5,829</u>
Total	<u>\$ 29,000</u>	<u>\$ 2,160</u>	<u>\$ 375,713</u>	<u>\$ 175,298</u>	<u>\$ 404,713</u>	<u>\$ 177,458</u>

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. Deposits shall be made into the fund until a balance of \$31,180 has been accumulated into the fund. At June 30, 2017, 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, 2016, 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Differences</u>
	<u>Original</u>	<u>Final</u>	<u>Budget Basis</u>	<u>Over/(Under)</u>
Revenue:				
Federal grant	\$ -	\$ -	\$ 4,513	\$ 4,513
Taxes	14,000	14,000	31,506	17,506
Licenses and permits	10,000	10,000	16,053	6,053
Fines	100,000	100,000	136,062	36,062
Charges for services	49,280	49,280	8,360	(40,920)
Total revenues	<u>\$ 173,280</u>	<u>\$ 173,280</u>	<u>\$ 196,494</u>	<u>\$ 23,214</u>
Expenditures:				
General government and public safety	\$ 313,750	\$ 313,750	\$ 285,971	\$ 27,779
Total expenditures	<u>\$ 313,750</u>	<u>\$ 313,750</u>	<u>\$ 285,971</u>	<u>\$ 27,779</u>
EXCESS OF REVENUES				
(UNDER) EXPENDITURES	<u>\$ (140,470)</u>	<u>\$ (140,470)</u>	<u>\$ (89,477)</u>	<u>\$ 50,993</u>
Other financing sources:				
Transfers in	\$ 141,000	\$ 141,000	\$ 59,762	\$ (81,238)
Total other financing sources	<u>\$ 141,000</u>	<u>\$ 141,000</u>	<u>\$ 59,762</u>	<u>\$ (81,238)</u>
Net change in fund balances	\$ 530	\$ 530	\$ (29,715)	\$ (30,245)
Fund balance, beginning of year	<u>29,715</u>	<u>29,715</u>	<u>29,715</u>	<u>-</u>
Fund balance, end of year	<u>\$ 30,245</u>	<u>\$ 30,245</u>	<u>\$ -</u>	<u>\$ (30,245)</u>

See Independent Auditor's Report.

**VILLAGE OF WATERPROOF, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ (29,715)
Increase (decrease)	
Net adjustments for revenue accruals	3,393
Net adjustments for expenditure accruals	(1,884)
Net change in fund balance - GAAP basis	<u>\$ (31,224)</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, 2017**

Compensation of Aldermen

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

Salary	\$	12,000
Travel reimbursement		<u>375</u>
	<u>\$</u>	<u>12,375</u>

See Independent Auditor's Report.

SECTION V
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 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, 2017, 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 June 7, 2018.

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 2017-1, 2017-2, 2017-3, and 2017-6 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 is described in the accompanying Schedule of Findings as items 2017-4, 2017-5, and 2017-7.

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
June 7, 2018

SECTION VI
SCHEDULE OF FINDINGS

VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017**

Reference No.	Description of Finding	Status
Section I - Internal Control and Compliance Material to the Financial Statements:		
2016-1	<p><u>Reconcilement of Utility Accounts Receivable</u> As reported in Finding 2016-1 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 total \$245,349, according to the customer balance report. The cash collections in the subsequent month were \$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><u>Recommendation</u> We recommend that the Village review the subsidiary ledger and approve write-offs of old outstanding accounts.</p>	Not resolved
2016-2	<p><u>Reconcilement 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
2016-3	<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
2016-4	<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, 2016.</p> <p><u>Recommendation</u> We recommend that the Village have its books and records available in a more timely manner.</p>	Not resolved
2016-5	<p><u>Compliance with Bond Covenants</u> The Village did not make monthly deposits into the depreciation and reserve fund, respectively.</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 CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I – Internal Control and Compliance Material to the Financial Statements:	
2017-1	<p><u>Reconciliation of Utility Accounts Receivable to Subsidiary Ledger</u></p> <p>Condition: As reported in Finding 2016-1 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: 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: 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 \$458,777, according to the customer balance report. The cash collections in the subsequent month was \$32,182. At the same time, the general ledger indicated the accounts receivable was \$560,343 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, 2017.</p> <p>Contact Person: Mayor Caldwell Flood</p>
2017-2	<p><u>Reconciliation of Utility Deposit</u></p> <p>Condition: As reported in Finding 2016-2 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: 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). 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, 2017.</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, 2017**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I – Internal Control and Compliance Material to the Financial Statements: (continued)	
2017-3	<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 Caldwell Flood</p> <p>Anticipated Completion Date: N/A</p>
2017-4	<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, 2017.</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, 2017.</p> <p>Cause: The financial statements were due on December 31, 2017, but the books and records were not available until April of 2018. 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 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, 2017.</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, 2017**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I – Internal Control and Compliance Material to the Financial Statements: (continued)	
2017-5	<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: 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 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, 2017.</p> <p>Contact Person: Mayor Caldwell Flood</p>
2017-6	<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 and subsidiary ledger are \$12,172. The related bank account restricted for these deposits had a balance of \$2,340 at year end, which left an underfunded amount of \$9,832.</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 2018.</p>

**VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Reference No.</u>	<u>Description of Finding</u>
Section I – Internal Control and Compliance Material to the Financial Statements: (continued)	
2017-7	<p><u>Unauthorized Withdrawals from Reserves</u></p> <p>Condition: During the year, the Village withdrew funds from a restricted account without prior authorization from the USDA.</p> <p>Criteria: The Water Revenue Bonds in the Proprietary (Utility) Fund contain covenants requiring a certain accumulated balances.</p> <p>Effect: The Village is not in compliance with the Water Revenue Bond Covenants.</p> <p>Cause: The Village overlooked this restriction in the current year.</p> <p>Recommendation: We recommend that the Village make deposits to replace those withdrawn as soon as possible, to be in compliance with the covenants.</p> <p>Response: Management will work on this for fiscal year 2018.</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 attached, which were agreed to by the Village of Waterproof, Louisiana (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 year ended June 30, 2017. 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.

The procedures and associated findings are included in the attachment following 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
June 7, 2018

VILLAGE OF WATERPROOF, LOUISIANA
SUPPLEMENTAL SCHEDULE OF AGREED-UPON PROCEDURES AND FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Written Policies and Procedures

1. Procedures: Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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*, including receiving, recording, and preparing deposits.
 - 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, and (5) monitoring card usage.
 - 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) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: We reviewed the written policies and procedures for the related functions listed above in the procedures. 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, and ethics.

Board (or Finance Committee, if applicable)

2. Procedures: Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

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 and non-budgetary information for at least one meeting during the fiscal period.

During the above procedures, we noted that the minutes did not reference budget-to-actual comparisons.

Bank Reconciliations

3. Procedures: Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Findings: We prepared a list of bank accounts from the list management gave for bank confirmations.

No exceptions were noted during the above procedures.

4. Procedures: Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

Findings: We randomly selected three of the entity's nine bank accounts and obtained the related bank statements and reconciliations for all months in the fiscal period. We reviewed the bank reconciliations to report whether they were prepared, included evidence that management or a board member had reviewed each statement, and included documentation that management has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

During our review of the above procedures, we noted that one of the bank accounts tested did not have a bank reconciliation for one month. We also noted no physical evidence of a member of management or a board member reviewing the bank reconciliations.

Collections

5. Procedures: Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Findings: We reviewed a listing of cash/check/money order collection locations and management's representation to determine that the listing is complete.

No exceptions were noted during the above procedures.

6. Procedures: Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). For each cash collection location selected:
- a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded; (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party); and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period.
 - d) Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - e) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings: We performed testing for the bank accounts selected. During testing, we obtained written documentation verifying whether the person responsible for collecting cash had no responsibilities for depositing cash in the bank, recording related transactions, or reconciling bank statements.

We obtained written documentation to determine whether the entity has a formal process to reconcile collections to the general ledger and subsidiary ledgers by a person that was not responsible for cash collections at the location. We selected the highest week of collections from the general ledger and traced collections to the deposit date on the bank statement to determine that the deposits were made within one day of collection. We also used deposit slips to verify that check collections were completely supported by documents.

During our review, we noted that the persons responsible for collecting cash also deposit the money into the bank and record the collection.

We also noted that deposit was not within a day of collection, but the longest period cannot be determined due to transactions being recorded in batches on the books.

7. Procedures: Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Findings: We reviewed written documentation to determine that the entity has a process specifically defined to determine completeness of collections for each revenue source by a person who is not responsible for collections.

During our review of the above procedure, we noted that there is not written documentation to determine that the entity has a process but the municipality clerk was able to verbally communicate how the process is performed.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Procedures: Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Findings: We reviewed a management listing of entity disbursements from the general ledger and obtained management's representation that the listing was complete.

No exceptions were noted during the above procedures.

9. Procedures: Using the disbursement population from procedure 8, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-Card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings: We obtained and reviewed documentation to determine that someone other than the requester approves all disbursements. There is no electronic system in place for the Village.

During the above procedures, we noted that the entity does not utilize a purchase requisition or order system. The Mayor verbally approves payment and the Clerk or Mayor verbally approves the purchase of items.

10. Procedures: Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Findings: We reviewed entity documentation to determine whether the party responsible for processing payment is prohibited from adding vendors to the entity's purchasing/disbursement system

During our review of disbursements, we noted that the Village does not add vendors to a disbursement system, but they asserted that they will begin to. There is no written policy.

11. Procedures: Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Findings: We inquired of management regarding their practices in initiating and approving disbursements for the entity to determine that the Board approves all purchases and does not initiate any purchases.

During our review, we noted that those with signatory authority or who make final authorization for disbursements do have responsibility for initiating or recording purchases. The Clerk processes payment. There is no written policy.

12. Procedures: Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Findings: We observed that the unused checks are kept above the Clerk's desk.

During our review, we noted that the Mayor and Clerk have access to the unused checks and both have signatory authority.

13. Procedures: If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings: We inquired of management to determine whether a signature stamp or signature machine was used. The entity does not use signature stamps.

No exceptions were noted during the above procedures.

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

14. Procedures: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-Cards (cards), 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 inquired of management and received a listing of all active credit cards, bank debit cards, fuel cards, and P-Cards, including the card numbers and the names of the persons who maintained possession of the cards. We also received representation from management that the listing was complete.

No exceptions were noted during the above procedures.

15. Procedures: Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Findings: We were unable to obtain the combined monthly statement for the cards used by the entity and the individual statements for each credit card and were unable to determine the month with the largest dollar activity for each statement. We were unable to review the statement to determine whether there was evidence that it was reviewed and approved, in writing, by someone other than the authorized card holder. We were unable to review the statement to determine whether finance charges and/or late fees were assessed on the statement.

During the above procedures, we noted that management was not maintaining copies of the credit card statements selected to be tested, and we were unable to review the monthly statements for the largest dollar activity, to determine if review and approval was by someone other than the authorized card holder, and to determine whether finance charges and/or late fees were assessed on the statement.

16. Procedures: Using the monthly statements or combined statements selected under procedure 15, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: Using the combined monthly statement from procedure 15, we were unable to obtain supporting documentation for all transactions to determine whether there was an original itemized receipt, documentation of the business/public purpose, and other required written documentation. We were unable to review the monthly statement to compare the transaction's detail to the Louisiana Public Bid Law. We were unable to compare the entity's documentation of business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution.

During the above procedures, we noted that management was not maintaining copies of the credit card statements selected to be tested. We were unable to determine what the supporting documentation was to determine if there was an original itemized receipt, documentation of the business/public purpose, and other required written documentation.

Payroll and Personnel

17. Procedures: Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Findings: We obtained a listing of employees with their related salaries and selected five employees to determine if compensation paid to them was in compliance with the terms of their employment contract. We also checked for any changes made to hourly pay rates/salaries during the fiscal period.

During the above procedures, we were unable to obtain documentation to verify adjustments to the pay rate structures of the employees.

18. Procedures: Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Findings: We randomly selected seven of the Village's nineteen employees to determine if each selected employee documented their daily attendance and leave, whether there was written documentation that supervisors approved the attendance and leave of the selected employees/officials, and whether there is written documentation that the entity maintained written leave record on the selected employees.

During our review, we were unable to obtain attendance/leave records to determine if the documentation was being kept.

19. Procedures: Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Findings: We inquired with management as to whether any employees/officials were terminated during the fiscal period. One employee was terminated during the year and they received a termination payment.

During our review of the termination payment, we were unable to determine if the payment was made in accordance with policy and/or contract.

20. Procedures: Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings: We inquired with management as to whether the entity participates in retirement plans. We reviewed remittances and cancelled checks to verify payroll taxes were remitted timely to appropriate agencies.

No exceptions were noted during the above procedures.

Ethics

21. Procedures: Using the selected employees/officials from procedure 17 under "Payroll and Personnel," obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Findings: We obtained the personnel files on the employees selected in procedure 17 from management to determine whether ethics training/compliance documentation was completed.

During our review, we were unable to determine if ethics training had been completed.

22. Procedures: Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings: We inquired with management whether any alleged ethics violations were reported to the entity during the fiscal year.

No exceptions were noted during the above procedures.

Other

23. Procedures: Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Findings: We inquired with management whether the entity had any misappropriations of public funds or assets. Per management, the entity was not aware of any misappropriations.

No exceptions were noted during the above procedures.

24. Procedures: Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: We observed whether the entity had posted on its premises and website the notice required by R.S. 24:53.1. The notice required by R.S. 24:523.1 was posted in the lobby for both employees and customers to see.

No exceptions were noted during the above procedures.

25. Procedures: If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings: We did not observe or otherwise identify any exceptions regarding management's representations.

No exceptions were noted during the above procedures.

VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF EXCEPTIONS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Reference No.</u>	<u>Description of Exception</u>
<i><u>Written Policies and Procedures:</u></i>	
Procedure 1	The entity did not have written policies for budgeting, purchasing, disbursements, receipts, payroll/personnel, credit cards, travel and expense reimbursement, and ethics.
<i><u>Board:</u></i>	
Procedure 2b	Budget-to-actual comparisons were not referenced in the monthly meetings.
<i><u>Bank Reconciliations:</u></i>	
Procedure 4a	One of the bank accounts tested did not have a bank reconciliation for one month.
Procedure 4b	Bank reconciliations did not include evidence that a member of management or board member reviewed each reconciliation.
<i><u>Collections:</u></i>	
Procedure 6a-2	The persons responsible for collecting cash also deposit the money into the bank and record the collection.
Procedure 6d	Deposit was not within a day of collection, but the longest period cannot be determined due to transactions being recorded in batches on the books.
<i><u>Disbursements:</u></i>	
Procedure 9	The Village does not utilize a purchase requisition or order system. The Mayor verbally approves all payments and the Clerk or Mayor verbally approves the purchase of items.
Procedure 10	The Village does not add vendors to a disbursement system, but they asserted that they will begin to. There is no written policy.
Procedure 11	Those with signatory authority or who make final authorization for disbursements do have responsibility for initiating or recording purchases. The Clerk processes payment. There is no written policy.
Procedure 12	The Mayor and the Clerk have access to the unused checks and both have signatory authority.
<i><u>Credit Cards/Debit Cards/Fuel Cards/P-Cards:</u></i>	
Procedure 15 and 16	Management was not maintaining copies of the credit card statements selected to be tested and, therefore, we were unable to review the monthly statements.
<i><u>Payroll and Personnel:</u></i>	
Procedure 17	Documentation was unable to be reviewed to verify adjustments to the pay rate structures of the employees.
Procedure 18	The attendance/leave records were unable to be reviewed to determine if documentation was being kept.

VILLAGE OF WATERPROOF, LOUISIANA
SCHEDULE OF EXCEPTIONS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Reference No.</u>	<u>Description of Exception</u>
<u>Payroll and Personnel:</u> (continued)	
Procedure 19	The termination payment was not able to be determined to be made in accordance with policy and/or contract.
Procedure 21	Ethics training was unable to be determined if it have been completed.

Management Response

Management plans to address the above findings during fiscal year 2018.