

VILLAGE OF ELIZABETH, LOUISIANA

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2017

Royce T. Scimemi, CPA, APAC
Oberlin, LA

TABLE OF CONTENTS

	<u>Pages</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	3-11
INDEPENDENT AUDITORS' REPORT	12-13
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of Net Position	16
Statement of Activities	17
FUND FINANCIAL STATEMENTS (FFS)	
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	22
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance with Statement of Activities	23
Statement of Net Position - Proprietary Fund	24
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	25
Statement of Cash Flows - Proprietary Funds	26
NOTES THE TO BASIC FINANCIAL STATEMENTS	27-37
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule: General Fund	39-40
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Operating Expenses by Department – Proprietary Fund	42
Schedule of Compensation Paid to Mayor and Council Members	43
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	44
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	45-46
SCHEDULE OF FINDINGS AND RESPONSES	47-48
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS AND RESPONSES (UNAUDITED)	49
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	50

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis

Within this section of the Village of Elizabeth, Louisiana's annual financial report, the Village's management is pleased to provide this narrative discussion and analysis of the financial activities of the Village for the fiscal year ended June 30, 2017. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The Village's assets exceeded its liabilities by \$2,442,439 (net position) for the fiscal year reported.
- Total revenues of \$2,894,551 exceeded total expenses of \$2,784,929 which resulted in a current year surplus of \$109,622. In comparison, for the previous year ended June 30, 2016, the Village's total revenues of \$2,210,141 were exceeded by total expenses of \$2,311,585, yielding a deficit of \$101,444.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,561,444 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. In comparison, as of June 30, 2016, the Village's net capital assets were \$1,402,983.
 - (2) For the fiscal year ended June 30, 2017, net position of \$99,253 was restricted by constraints imposed from outside the Village such as debt covenants, grantors, laws, or regulations. The Village reported net position of \$37,126 restricted in fiscal year ended June 30, 2016.
 - (3) Unrestricted net position, representing the portion of net position available to maintain the Village's continuing obligations to citizens and creditors, amounted to \$781,742 and \$892,708 for the fiscal years ended June 30, 2017 and 2016, respectively.
- The Village's governmental funds reported total surplus ending fund balance of \$235,747 this year. This compares to the prior year ending surplus fund balance of \$261,109 reflecting a deficit of \$25,362 during the current year. For the prior year ended June 30, 2016, a surplus of \$177 was reported in the total ending fund balance. All positive fund balances are unassigned to particular uses.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$235,747, or 27% of total General Fund expenditures and 28% of total General Fund revenues including other financing sources. In comparison, for the fiscal year ended June 30, 2016, unassigned fund balance for the General Fund was of \$261,109, or 53% of total General Fund expenditures and 53% of total General Fund revenues including other financing sources.
- Overall, the Village improved upon on a strong financial position and is continuing to work to improve on this financial position.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the Village's basic financial statements, which include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Village also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Village's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the Village's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the Village would extend to other non-financial factors such as diversification of the taxpayer base, or the condition of Village infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Village's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by sales taxes, ad valorem taxes, rent income, and licenses/permits and income from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities principally include general government, public safety and streets. Business-type activities include the gas, water, sewer, and electricity systems.

The government-wide financial statements are presented on pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most significant funds rather than the Village as a whole. There is no individual fund data for non-major funds to be reported in any combining statements.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

The Village has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 20 through 23 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Village charges customers a fee. The Village's proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements.

The basic enterprise fund financial statements are presented on pages 24 through 26 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 27 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budget presentations. The management's discussion and analysis on pages 3 through 11 and the general fund budgetary comparison schedule on pages 39 through 40 are included as "required supplementary information". The budgetary comparison schedule demonstrates compliance with the Village's adopted and final revised budgets.

As discussed, the Village reports major funds in the basic financial statements. The other supplementary information includes the schedule of operating expenses by department for the proprietary fund, the schedule of compensation paid to the Mayor and Council members and the schedule of compensation, benefits and other payments to the chief executive officer which are presented in a subsequent section of this report on pages 42 through 44.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net position at fiscal year-end is \$2,442,439, summarized as follows:

Summary of Net Position

	Governmental Activities	Business-Type Activities	06/30/17 Total	Percentage Total	06/30/16 Total
Assets:					
Current assets	\$ 320,403	\$ 757,732	\$ 1,078,135	31%	\$ 1,061,744
Capital assets, net	<u>711,146</u>	<u>1,724,536</u>	<u>2,435,682</u>	<u>69</u>	<u>2,177,502</u>
Total assets	<u>1,031,549</u>	<u>2,482,268</u>	<u>3,513,817</u>	<u>100%</u>	<u>3,239,246</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-%</u>	<u>-</u>
Liabilities:					
Current liabilities	84,656	298,096	382,752	36%	170,245
Long-term liabilities	<u>-</u>	<u>688,626</u>	<u>688,626</u>	<u>64</u>	<u>736,184</u>
Total liabilities	<u>84,656</u>	<u>986,722</u>	<u>1,071,378</u>	<u>100%</u>	<u>906,429</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-%</u>	<u>-</u>
Net Position:					
Investment in capital assets, net of debt	649,438	912,006	1,561,444	64%	1,402,983
Restricted	-	99,253	99,253	4%	37,126
Unrestricted	<u>297,455</u>	<u>484,287</u>	<u>781,742</u>	<u>32%</u>	<u>892,708</u>
Total net position	<u>\$ 946,893</u>	<u>\$ 1,495,546</u>	<u>\$ 2,442,439</u>	<u>100%</u>	<u>\$ 2,332,817</u>

The Village continues to maintain strong current ratios. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 3.78 to 1 for governmental activities and 2.54 to 1 for business-type activities. This compares with the prior year's ratios of 22.61 to 1 and 4.98 to 1, respectively. For the Village overall, the current ratio is 2.82 to 1 while that same financial indicator was 6.24 to 1 for the fiscal year ended June 30, 2016. These ratios remain strong.

The Village reported positive balances in net position for both governmental and business-type activities. For the fiscal years ended June 30, 2017 and 2016, respectively, net position increased (decreased) by \$191,015 and (\$31,344) for governmental activities and by (\$81,393) and (70,100) for business-type activities. The Village's overall financial position improved during the fiscal year ended in June 30, 2017, mainly due to normal operations.

Note that approximately 69% and 65% of the governmental activities' net position are tied up in capital assets as of June 30, 2017 and June 30, 2016, respectively. The Village uses these capital assets to provide services to its citizens. However, with business-type activities, the Village has invested approximately 61% and 58% of its net position on capital assets during the respective fiscal years ended June 30, 2017 and 2016. Capital assets in the business-type activities provide utility services, but they also generate revenues for these funds. For the respective fiscal years ended June 30, 2017 and 2016, 64% and 60% of the Village's total net position, net of debt, are included in capital assets.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

The following table provides a summary of the Village's changes in net position:

	Governmental Activities	Business-Type Activities	2017 Total	% Total	2016 Total	% Total
Revenues:						
Program						
Charges for services/fines	\$ 132,031	\$ 2,233,168	\$ 2,365,199	82%	\$ 1,998,061	90%
Operating grants	6,000	-	6,000	-	6,000	-
Capital grants	155,158	161,905	317,063	11	8,000	1
General:						
Sales taxes	80,792	-	80,792	3	66,136	3
Other taxes	42,324	-	42,324	1	41,483	2
Other	83,173	-	83,173	3	90,461	4
Total Revenues	<u>499,478</u>	<u>2,395,073</u>	<u>2,894,551</u>	<u>100%</u>	<u>2,210,141</u>	<u>100%</u>
Program expenses:						
General government	369,686	-	369,686	13%	359,481	16%
Public safety	188,779	-	188,779	7	145,843	6
Public works	90,506	-	90,506	3	19,739	1
Gas	-	1,859,804	1,859,804	67	1,534,505	66
Water	-	153,742	153,742	6	159,825	7
Electric	-	3,858	3,858	-	3,858	-
Sewer	-	83,186	83,186	3	50,745	2
Interest	-	35,368	35,368	1	37,589	2
Total Expenses	<u>648,971</u>	<u>2,135,958</u>	<u>2,784,929</u>	<u>100%</u>	<u>2,311,585</u>	<u>100%</u>
Excess (deficiency)	(149,493)	259,115	109,622		(101,444)	
Transfers	340,508	(340,508)	-		-	
Change in net position	191,015	(81,393)	109,622		(101,444)	
Beginning net position	755,878	1,576,939	2,332,817		2,434,261	
Ending net position	<u>\$ 946,893</u>	<u>\$ 1,495,546</u>	<u>\$ 2,442,439</u>		<u>\$ 2,332,817</u>	

GOVERNMENTAL REVENUES

The Village is heavily reliant on utility revenues and sales taxes to support governmental operations. Sales taxes equal 16% of the revenues for governmental activities, as compared with 25% in the prior year. Also note that program revenues cover only 45% (13% in the year ended June 30, 2016) of governmental operating expenses. This means that the government's taxpayers and the Village's other general revenues fund 55% (87% in the prior fiscal year) of the governmental activities. As a result, the general economy and the local businesses have a major impact on the Village's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

For the fiscal years ended June 30, 2017 and 2016, respectively, general government comprised 13% and 16% of the Village's total expenses and 57% and 68% of the total governmental expenses. For the fiscal years ended June 30, 2017 and 2016, total public safety makes up 29% and 28% of the total governmental expenses.

This following table presents the cost of each of the Village's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Village's taxpayers by each of these functions.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

Governmental Activities

	06/30/16		06/30/17	
	Total Cost of Services	Net Cost (Benefit) of Services	Total Cost of Services	Net Cost (Benefit) of Services
General government	\$ 359,481	\$ 319,414	\$ 369,686	\$ 337,245
Public safety	145,843	115,393	188,779	69,189
Public works	19,739	19,739	90,506	(50,652)
Total	<u>\$ 525,063</u>	<u>\$ 454,546</u>	<u>\$ 648,971</u>	<u>\$ 355,782</u>

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs:

The operating revenues for the utility fund were 15% more than 2016 and operating expenses were 20% more than 2016. Within the total business-type activities of the Village, these activities reported a \$132,578 operating income compared to an operating income of \$192,611 for the prior year. However, after operating transfers, the utility fund reported a deficit of \$81,393, which compares with the overall fund deficit of \$70,100 experienced in the year ended June 30, 2016.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$235,747 and \$261,109 for the fiscal years ended June 30, 2017 and 2016, respectively. Of the year-end totals for June 30, 2017, \$235,747 was unassigned, indicating availability for continuing Village service requirements. There were no restricted funds in current fiscal year.

The total ending fund balance of governmental funds show a decrease of \$25,362. This compares with an increase of \$177 experienced in the prior fiscal year ended June 30, 2016.

MAJOR GOVERNMENTAL FUNDS

The General Fund is the Village's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$25,362 in the current fiscal year, while in the fiscal year ended June 30, 2016, the fund balance increased by \$177. However, the reader needs to remember that the Village controls these differences by the amount of resources it transfers in from the Village's other funds.

The revenues show an increase of \$230,881 or 86% more than the prior year reflecting primarily increases in income from intergovernmental sources. The expenditures side shows an increase of \$371,806 or 75% more than the prior year reflecting primarily increases in capital outlay spending.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

The General Fund's ending fund balance of \$235,747 was less than the prior year representing the equivalent of 27% of its annual expenditures and 28% of its annual revenues including operating transfers.

THE PROPRIETARY FUNDS

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term information about financial status.

BUDGETARY HIGHLIGHTS

Both the revenue and the expenditure sides of the current year final budget for the General Fund were revised by a \$95,795 increase and a \$233,855 increase, respectively in relation to the prior year's final budget. The primary change in the General Fund's revenue budget relates to increases in rental income and miscellaneous income. The primary change in the expenditure budget relates to increases to professional fees. With regard to the changes in the original budget to the final budget, the primary change to the revenues was to increase fine and rental income and the primary change to the expenditures was to increase professional fees.

The actual revenues exceeded the final budget revenues by \$220,083 or 79% and the actual expenditures exceeded budgeted expenditures by \$118,843 or 16%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Village's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2017, were \$711,146 and \$1,724,536, respectively, while those figures as of June 30, 2016, were \$494,769 and \$1,682,733 respectively. The overall increase was 12% for the Village as a whole. See Note D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. Two major construction projects were under way at year end for drainage and water improvements. The total contract amounts for construction, engineering, and grant assistance on those projects amounted to \$946,313 and the total expended through year end was \$273,140. These projects are to be completely funded by federal grants. The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Non-depreciable assets:						
Land	\$ 110,000	\$ 110,000	\$ 33,275	\$ 33,275	\$ 143,275	\$ 143,275
Construction in progress	-	179,496	-	93,644	-	273,140
Total non-depreciable	110,000	289,496	33,275	126,919	143,275	416,415
Depreciable assets:						
Vehicles	109,642	178,873	-	-	109,642	178,873
Buildings	540,712	569,422	-	-	540,712	569,422
Equipment	349,861	365,300	-	-	349,861	365,300
Utility systems	-	-	3,417,420	3,469,557	3,417,420	3,469,557
Total depreciable assets	1,000,215	1,113,595	3,417,420	3,469,557	4,417,635	4,583,152
Less accumulated depreciation	615,446	691,945	1,767,962	1,871,940	2,383,408	2,563,885
Book value-depreciable assets	\$ 384,769	\$ 421,650	\$1,649,458	\$ 1,597,617	\$ 2,034,227	\$ 2,019,267
Percentage depreciated	62%	62%	52%	54%	54%	56%
Book value-all assets	\$ 494,769	\$ 711,146	\$1,682,733	\$ 1,724,536	\$ 2,177,502	\$ 2,435,682

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

The depreciable capital assets for governmental activities were 62% and 62% depreciated for the fiscal years ended June 30, 2017 and June 30, 2016, respectively. After including construction in progress, this comparison indicates that the Village is replacing its governmental-type assets at a faster rate than the rate they are depreciating.

The major additions are:

- Drainage project in progress
- Police vehicle
- Improvement in health clinic
- Fire truck

With the Village's business-type activities, 54% of the asset values were depreciated at June 30, 2017 compared to 52% at June 30, 2016. After including construction in progress this comparison indicates that the village is replacing its business type assets at a faster rate than they are depreciating.

The major additions are:

- Water project in progress
- Vehicle
- Water well control
- Generator

Long-term debt

At the end of the fiscal year, the Village had total long-term debt outstanding of \$720,554. All of this amount is backed by the full faith and credit of the Village with debt service funded by gas fund revenues.

During the year, the Village issued \$0 and retired \$51,140 in long-term debt. See Note F for additional information regarding long-term debt.

	Outstanding Borrowings	
	<u>06/30/16</u>	<u>06/30/17</u>
Gas revenue bonds	\$ 288,000	\$ 256,000
USDA gas revenue bonds	<u>483,694</u>	<u>464,554</u>
Total	<u>\$ 771,694</u>	<u>\$ 720,554</u>

ECONOMIC CONDITIONS AFFECTING THE VILLAGE

The Village's primary revenue stream comes from utility charges and sales taxes, which are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Village's finances, comply with finance-related laws and regulations, and demonstrate the Village's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Village's Mayor, Mandy Green, P.O. Box 457, Elizabeth, LA 70638.

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INDEPENDENT AUDITORS' REPORT

November 7, 2017

Honorable Mandy Green, Mayor
and the Village Council
Village of Elizabeth, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Elizabeth, Louisiana as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the Village of Elizabeth, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Elizabeth, Louisiana, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 39 through 40 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 Information

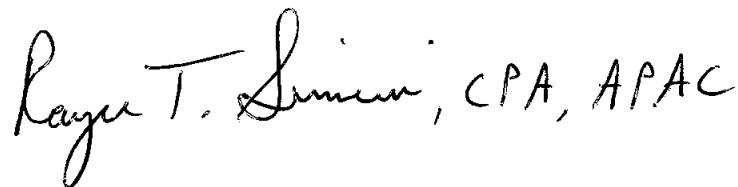
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Elizabeth, Louisiana's basic financial statements. The statement of operating expenses by department for the proprietary fund, the schedule of compensation paid to the Mayor and Council Members, and the schedule of compensation, benefits and other payments to the chief executive officer (Other Supplementary Information) are presented on pages 42-44 for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of the Village of Elizabeth, Louisiana's internal control over financial reporting and on 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 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 of Elizabeth, Louisiana's internal control over financial reporting and compliance.

Royce T. Scimemi, CPA, APAC



BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

Village of Elizabeth, Louisiana
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and certificates of deposit	\$ 234,178	\$ 376,491	\$ 610,669
Accounts receivable	24,245	172,594	196,839
Due from other governments	61,980	89,344	151,324
Restricted cash and certificates of deposit	--	119,303	119,303
Total current assets	320,403	757,732	1,078,135
Noncurrent assets:			
Capital assets, note being depreciated:			
Land	110,000	33,275	143,275
Construction in progress	179,496	93,644	273,140
Capital assets, net of accumulated depreciation	421,650	1,597,617	2,019,267
Total noncurrent assets	711,146	1,724,536	2,435,682
Total Assets	1,031,549	2,482,268	3,513,817
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	--	--	--
LIABILITIES			
Current liabilities:			
Accounts payable	14,203	148,686	162,889
Contracts payable - construction in progress	57,082	81,485	138,567
Retainage payable	4,626	7,859	12,485
Accrued interest payable	--	2,632	2,632
Payroll taxes payable	8,674	--	8,674
Sales taxes payable	71	5,456	5,527
Revenue bonds payable	--	51,978	51,978
Total current liabilities	84,656	298,096	382,752
Noncurrent liabilities:			
Customer deposits	--	20,050	20,050
Revenue bonds payable	--	668,576	668,576
Total noncurrent liabilities	--	688,626	688,626
Total Liabilities	84,656	986,722	1,071,378
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	--	--	--
NET POSITION			
Investment in capital assets, net of related debt	649,438	912,006	1,561,444
Restricted - Note J	--	99,253	99,253
Unrestricted	297,455	484,287	781,742
Total Net Position	\$ 946,893	\$ 1,495,546	\$ 2,442,439

See accompanying notes.

Village of Elizabeth, Louisiana
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 369,686	\$ 32,441	\$ --	\$ --	\$ (337,245)	\$ --	\$ (337,245)
Public safety	188,779	99,590	--	20,000	(69,189)	--	(69,189)
Public works	90,506	--	6,000	135,158	50,652	--	50,652
Total Governmental Activities	648,971	132,031	6,000	155,158	(355,782)	--	(355,782)
Business-Type Activities:							
Gas department	1,859,804	2,101,692	--	--	--	241,888	241,888
Water department	153,742	84,725	--	151,905	--	82,888	82,888
Sewer department	83,186	16,751	--	10,000	--	(56,435)	(56,435)
Electricity department	3,858	30,000	--	--	--	26,142	26,142
Interest and fiscal charges-gas	35,368	--	--	--	--	(35,368)	(35,368)
Total Business-Type Activities	2,135,958	2,233,168	--	161,905	--	259,115	259,115
Total Primary Government	\$ 2,784,929	\$ 2,365,199	\$ 6,000	\$ 317,063	\$ (355,782)	\$ 259,115	\$ (96,667)

General Purpose Revenues and Transfers:

Revenues

Taxes:

-Property	11,083	--	11,083
-Franchise	30,151	--	30,151
-Sales	80,792	--	80,792
-Beer	1,090	--	1,090
Intergovernmental-state	4,940	--	4,940
Intergovernmental-local	3,117	--	3,117
Miscellaneous	6,692	--	6,692
Interest income	11	--	11
Rent	68,413	--	68,413
Transfers	340,508	(340,508)	--

Total General Revenues and Transfers

	546,797	(340,508)	206,289
Change in Net Position	191,015	(81,393)	109,622
<i>Net Position at Beginning of Period</i>	<i>756,878</i>	<i>1,576,939</i>	<i>2,332,817</i>
Net Position at End of Period	\$ 946,893	\$ 1,495,546	\$ 2,442,439

See accompanying notes.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Proprietary Fund

To account for the provision of gas, water, electricity, and sewer services to residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Village of Elizabeth, Louisiana

Balance Sheet
 Governmental Funds
 June 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and certificates of deposit	\$ 234,178	\$ 242,185
Accounts receivable	24,245	30,978
Due from other governments	61,980	--
Total Assets	<u>320,403</u>	<u>273,163</u>
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 320,403</u>	<u>\$ 273,163</u>
LIABILITIES		
Accounts payable	\$ 14,203	\$ 9,748
Contracts payable - construction in progress	57,082	--
Retainage payable	4,626	--
Payroll taxes payable	8,674	2,306
Sales taxes payable	71	--
Total Liabilities	<u>84,656</u>	<u>12,054</u>
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
Total Liabilities and Deferred Inflows of Resources	<u>84,656</u>	<u>12,054</u>
FUND BALANCE		
Unassigned	235,747	261,109
Total Fund Balance	<u>235,747</u>	<u>261,109</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 320,403</u>	<u>\$ 273,163</u>

See accompanying notes.

Village of Elizabeth, Louisiana
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Position
June 30, 2017

Total Fund Balance - Governmental Funds	\$ 235,747
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	711,146
Total Net Position-Governmental Funds	\$ <u>946,893</u>

See accompanying notes.

Village of Elizabeth, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund
Revenues	
Taxes:	
-Property	\$ 11,083
-Franchise	30,151
-Sales	80,792
-Beer	1,090
Fines	99,590
Interest income	11
Intergovernmental	149,215
Licenses and permits	21,041
Miscellaneous	38,092
Rent	68,413
Total Revenues	499,478
Expenditures	
Current:	
General government	353,263
Public safety	133,150
Public works	86,059
Capital outlay	292,876
Total Expenditures	865,348
Excess (Deficit) of Revenues Over (Under) Expenditures	(365,870)
Other Financing Sources (Uses)	
Transfers	340,508
Net Other Financing Sources (Uses)	340,508
Net Change in Fund Balance	(25,362)
<i>Fund Balance at Beginning of Period</i>	<i>261,109</i>
Fund Balance at End of Period	\$ 235,747

See accompanying notes.

Village of Elizabeth, Louisiana
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (25,362)
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	292,876
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(76,499)
Changes in Net Position-Governmental Funds	<u>\$ 191,015</u>

See accompanying notes.

Village of Elizabeth, Louisiana
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Funds	
	June 30, 2017	June 30, 2016
ASSETS		
<i>Current Assets</i>		
Cash and certificates of deposit	\$ 376,491	\$ 601,862
Accounts receivable	172,594	133,963
Due from other governments	89,344	--
Restricted cash and certificates of deposit	119,303	52,756
Total Current Assets	757,732	788,581
<i>Noncurrent Assets</i>		
Land	33,275	33,275
Construction in progress	93,644	--
Capital assets, net	1,597,617	1,649,458
Total Noncurrent/Capital Assets	1,724,536	1,682,733
Total Assets	2,482,268	2,471,314
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
Total Deferred Outflows of Resources	--	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	148,686	90,480
Contracts payable - construction in progress	81,485	--
Retainage payable	7,859	--
Accrued interest payable	2,632	2,825
Sales taxes payable	5,456	13,746
Current maturities of long-term debt	51,978	51,140
Total Current Liabilities	298,096	158,191
<i>Noncurrent Liabilities</i>		
Customer deposits	20,050	15,630
Long-term debt, less current maturities	668,576	720,554
Total Noncurrent Liabilities	688,626	736,184
Total Liabilities	986,722	894,375
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
Total Deferred Inflows of Resources	--	--
NET POSITION		
<i>Invested in capital assets, net of related debt</i>	912,006	908,214
<i>Restricted</i>	99,253	37,126
<i>Unrestricted</i>	484,287	631,599
Total Net Position	\$ 1,495,546	\$ 1,576,939

See accompanying notes.

Village of Elizabeth, Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds
	Utility Fund
Operating Revenues	
Gas department revenues	\$ 2,101,692
Water department revenues	84,725
Sewer department revenues	16,751
Electricity department revenues	30,000
Total Operating Revenues	2,233,168
Operating Expenses	
Gas department expenses	1,859,804
Water department expenses	153,742
Sewer department expenses	83,186
Electricity department expenses	3,858
Total Operating Expenses	2,100,590
Operating Income (Loss)	132,578
Non-Operating Revenues (Expenses)	
Capital grants - governmental agencies - Water	151,905
Capital grants - governmental agencies - Sewer	10,000
Interest and fiscal charges - Gas	(35,368)
Net Non-Operating Revenues (Expenses)	126,537
Income Before Contributions and Transfers	259,115
Transfers	(340,508)
Change in Net Position	(81,393)
<i>Net Position at Beginning of Period</i>	<i>1,576,939</i>
Net Position at End of Period	\$ 1,495,546

See accompanying notes.

VILLAGE OF ELIZABETH, LOUISIANA
Statement of Cash Flows -
Proprietary Fund
For the Year Ended June 30, 2017

	<u>Business-Type Activities</u>
	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 2,198,957
Payments to suppliers	(1,793,884)
Payments to employees	<u>(137,987)</u>
Net cash from operating activities	<u>267,086</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net proceeds (purchase) of investments	-
Interest earnings	<u>-</u>
Net cash used by noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on gas revenue bonds	(35,564)
Principal paid on gas revenue bonds	(51,140)
Purchase of fixed assets	(152,744)
Contracts payable – construction in progress	81,485
Capital subsidies from governmental agencies	<u>72,561</u>
Net cash from capital activities	<u>(85,402)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating transfers	<u>(340,508)</u>
Net cash from non-capital financing activities	<u>(340,508)</u>
NET INCREASE (DECREASE) IN CASH	(158,824)
CASH – BEGINNING	<u>654,618</u>
CASH – ENDING	<u><u>495,794</u></u>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	132,578
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	110,941
(Increase) decrease in receivables	(38,631)
Increase (decrease) in payables	57,778
Increase (decrease) in customer deposits	<u>4,420</u>
Net cash from operating activities	<u><u>267,086</u></u>

See accompanying notes.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Elizabeth, Louisiana (Village), was created under the provisions of the Lawrason Act. The purpose of the Village is to provide services to its citizens, which include gas, electric, sewer and water utilities, police and fire protection and other services. The Village is governed by the Mayor and a board of three elected council members who are compensated. The Village is located in Allen Parish, Louisiana and its population is approximately 532. There are approximately 13 employees working for the Village.

The accompanying financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1. Reporting Entity

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Village for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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

As required by GAAP, these financial statements present the Village of Elizabeth, Louisiana (the primary government) which has no component units under the above criteria.

2. Basis of Presentation

The accompanying basic financial statements of the Village have been prepared in conformity with GAAP. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", issued in June 1999.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the Village's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Village, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The Village uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Village are classified into two categories: governmental and proprietary. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Village or if the total assets, liabilities, revenues, or expenditures of the individual governmental or proprietary fund is at least 10 percent of the corresponding total for all governmental and proprietary funds of that category or type, or total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The Village reports the following major funds:

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

The Proprietary Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village's proprietary fund is the utility fund which accounts for gas, water, sewer and electricity services.

3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 (including capital outlays) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The Village applies all applicable FASB pronouncements in accounting and reporting for its proprietary fund.

Allocation of Indirect Expenses

The Village reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the statement of activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term debt is considered an indirect expense and is separately reported on the statement of activities.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and proprietary funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of each fiscal year, the Mayor submits a budget to the Village Council. The budget is prepared by fund, function and activity, based on information from the past year, current year estimates and requested appropriations for the next fiscal year.

The Village Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated and the revenue estimates must be changed by an affirmative vote of a majority of the government's council. Expenditures may not legally exceed budgeted appropriations at the activity level.

The original budget and one amendment during the year are reflected in the budget comparisons.

5. Deposits

Deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits as well as those investments with a maturity date of 90 days or less.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

State statutes authorize the Village to invest in obligations of the U.S. Treasury, U.S. government agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana. LAMP generates a local government investment pool.

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. 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 Village has \$766,299 in deposits (collected bank balances). These deposits are all secured from risk by federal deposit insurance and pledged collateral held by the custodial bank in the name of the fiscal agent bank.

6. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

7. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for utility user fees in the enterprise funds. The Village's ability to collect the amounts due from the users of the Village utility systems and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

8. Capital Assets

Capital assets, which include property, plant and equipment, 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 is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$1,000 or more for capitalization of asset purchases.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is expensed over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by asset type is as follows:

Buildings and improvements	40 years
Equipment and furniture	3-20 years
Utility systems	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

9. Statement of Cash Flows

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

For the purpose of the statement of cash flows, for the enterprise funds, the Village considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$495,794 which represents unrestricted and restricted amounts of \$376,491 and \$119,303, respectively.

10. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities. No expenditure is reported for these amounts. Vested or accumulated vacation leave of the proprietary funds is recorded as an expense and liability of that fund as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits for police personnel that is estimated will be taken as "terminal leave" prior to retirement.

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

Vacation is earned at a rate of one day per calendar month of employment not to exceed ten days per calendar year. Vacation is cumulative up to five days. One week of sick leave is earned during the first year and two weeks each year thereafter. Upon termination, the employee is entitled to any unused vacation leave accrued during the previous calendar year.

At June 30, 2017, employees of the Village have accumulated \$7,741 in leave privileges, computed in accordance with GASB Statement No. 16. This amount was deemed immaterial and no provision for compensated absences have been recorded.

11. Long-Term Debt

The accounting treatment of long-term debt depends on whether the underlying financed assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of gas revenue bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

12. Equity Classification

In the government-wide statements, equity is classified as net position and displayed in four components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Committed net position - Consists of net position with constraints placed on the use by the governing body.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

- d. Unrestricted net position - Consists of all other net position that does not meet the definition of a, b, or c above.

In the fund statements, governmental fund equity is classified as fund balance and is further classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used for specific purposes determined by a formal action of the Mayor and Council, who are the highest level of decision-making authority for the Village. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Mayor and Council.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Council's adopted policy, only Council members may assign amounts for specific purposes.
- e. Unassigned – includes fund balances which have not been classified within the above categories.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Village's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Village's policy is to first apply the expenditures toward restricted fund balance and then to other, less-restrictive classifications (committed and then assigned fund balances) before using unassigned fund balances.

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

14. Sales Taxes

Proceeds of a one percent (1%) sales and use tax levied by the Village are dedicated to and used for constructing, acquiring, extending, improving, operating and maintaining sewers and sewerage disposal works, waterworks facilities, streets, alleys, bridges, drains and drainage facilities; public buildings, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, buildings, improvements and facilities; title to which shall be in the public, or for any one or more of said purposes; and for the purpose of paying principal and interest on any bonded or funded indebtedness of the Village incurred for any of said purposes; and such tax to be subject to funding into bonds by the Village, maturing not more than 25 years from the date of the first levy of said tax.

Proceeds of the three-tenths of one percent (0.3%) sales and use tax levied by the Village are dedicated to and used for the upkeep, maintenance and improvement of the Elizabeth fire department.

15. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

16. Revenues, Expenditures, and Expenses

Program Revenues

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues.

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent after December 31. The taxes are generally collected in December, January and February of the fiscal year. Sales taxes are considered as "measurable" when in the hands of sales tax collector and are recognized as revenue at that time. Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures/expenses

The Village's primary expenditures include salaries, materials and supplies, and insurance, which are recorded when the liabilities are incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

Other Financing Sources

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) when the transfers are authorized by the Village.

17. Environmental Remediation Costs

The Village accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

18. Subsequent Events

Management has evaluated subsequent events through November 7, 2017, the date the financial statements were issued.

NOTE B - PROPERTY TAXES

For the year ended June 30, 2017 taxes of 6.49 mills were levied on property with assessed valuations totaling \$1,473,960 and were dedicated as follows:

General corporate purposes	6.49 mills with no expiration
----------------------------	-------------------------------

Total taxes levied were \$9,566.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

NOTE C - RECEIVABLES

Receivables at June 30, 2017, consisted of the following:

General Fund:	
Sales tax receivable	\$ 14,695
Franchise taxes receivable	8,600
Salary reimbursement receivable	950
Due from other governments	<u>61,980</u>
Total governmental-type accounts receivable	86,225
Utility system enterprise fund:	
Accounts receivable - customers	172,594
Due from other governments	<u>89,344</u>
Total business-type accounts receivable	261,938
Total accounts receivable	<u>\$ 348,163</u>

Note D – CAPITAL ASSETS

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction in progress	-	179,496	-	179,496
Other capital assets:				
Vehicles	109,642	69,231	-	178,873
Buildings	540,712	28,710	-	569,422
Equipment	<u>349,861</u>	<u>15,439</u>	-	<u>365,300</u>
Totals	<u>1,110,215</u>	<u>292,876</u>	-	<u>1,403,091</u>
Less accumulated depreciation:				
Vehicles	90,065	20,626	-	110,691
Buildings	310,134	15,271	-	325,405
Equipment	<u>215,247</u>	<u>40,602</u>	-	<u>255,849</u>
Total accumulated depreciation	<u>615,446</u>	<u>76,499</u>	-	<u>691,945</u>
Governmental Activities				
Capital assets, net	<u>\$ 494,769</u>	<u>\$ 216,377</u>	<u>\$ -</u>	<u>\$ 711,146</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 33,275	\$ -	\$ -	\$ 33,275
Construction in progress	-	93,644	-	93,644
Other capital assets:				
Gas system	1,826,812	-	4,600	1,822,212
Water system	819,776	38,282	270	857,788
Electricity system	198,993	-	2,093	196,900
Sewer system	<u>571,839</u>	<u>20,818</u>	-	<u>592,657</u>
Totals	<u>3,450,695</u>	<u>152,744</u>	6,963	<u>3,596,476</u>
Less accumulated depreciation:				
Gas system	534,307	53,235	4,600	582,942
Water system	605,031	41,183	270	645,944
Electricity system	180,379	3,858	2,093	182,144
Sewer system	<u>448,245</u>	<u>12,665</u>	-	<u>460,910</u>
Total accumulated depreciation	<u>1,767,962</u>	<u>110,941</u>	6,963	<u>1,871,940</u>
Business-Type Activities,				
Capital assets, net	<u>\$ 1,682,733</u>	<u>\$ 41,803</u>	<u>\$ -</u>	<u>\$ 1,724,536</u>

Depreciation expense for the year ended June 30, 2017 was \$76,499 and \$110,941 for the governmental activities and the business-type activities, respectively.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

Depreciation expense was charged to governmental activities as follows:

General government	\$ 16,423
Public safety	55,629
Public works	<u>4,447</u>
Total depreciation expense	<u>\$ 76,499</u>

Depreciation expense was charged to business-type activities as follows:

Gas	\$ 53,235
Water	41,183
Electricity	3,858
Sewer	<u>12,665</u>
Total depreciation expense	<u>\$ 110,941</u>

NOTE E - ACCOUNTS PAYABLES

The following is a summary of payables at June 30, 2017:

<u>Class of Payable:</u>	<u>Governmental Activities Funds</u>	<u>Business Activities Funds</u>
Accounts	\$ 14,203	\$ 148,686
Contracts	57,082	81,485
Retainage	<u>4,626</u>	<u>7,859</u>
Total	<u>\$ 75,911</u>	<u>\$ 238,030</u>

NOTE F - LONG-TERM DEBT

The following is a summary of revenue bonds and other long-term debts owed by the Village for the year ended June 30, 2017:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Gas revenue bonds	\$ 288,000	\$ -	\$ (32,000)	\$ 256,000
USDA gas revenue bonds	<u>483,694</u>	<u>-</u>	<u>(19,140)</u>	<u>464,554</u>
	<u>\$ 771,694</u>	<u>\$ -</u>	<u>\$ (51,140)</u>	<u>\$ 720,554</u>

Gas Revenue Bonds Payable-Proprietary:

\$568,000 gas revenue bonds dated March 18, 2004, bearing interest at a rate of 5% per annum, maturing over a period beginning December 2004 through June 2024 in annual installments of \$42,000 to \$48,000, and secured by and payable from income and revenues derived by the gas system after paying reasonable and necessary expenses of operation. \$ 256,000

\$677,478 USDA gas revenue bonds dated July 21, 2006, bearing interest at a rate of 4.375% per annum, maturing over a period beginning July 2012 through July 2033 in annual installments of \$40,302, and secured by and payable from income and revenues derived by the gas system after paying reasonable and necessary expenses of operation. 464,554

Total \$ 720,554

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest payments of \$248,898 are as follows:

Year Ending June 30,	Enterprise Activities		
	Totals		
	Principal Payments	Interest Payments	Totals
2018	\$ 51,978	\$ 33,124	\$ 85,102
2019	52,852	30,650	83,502
2020	57,764	28,138	85,902
2021	58,716	25,386	84,102
2022	63,710	22,592	86,302
2023-2027	215,049	72,462	287,511
2028-2032	167,291	34,219	201,510
2033-2033	53,194	2,327	55,521
Totals	<u>\$ 720,554</u>	<u>\$ 248,898</u>	<u>\$ 969,452</u>

In accordance with La. R.S. 39:562, the Village is legally restricted from incurring long-term bonded debt (payable solely from ad valorem taxes) in excess of 35% of the assessed value of taxable property in the Village. At June 30, 2017 the statutory limit is \$515,886.

NOTE G – RESTRICTED ASSETS

Restricted assets, at June 30, 2017, consisted of the following:

	Cash and Cash Equivalents
Customers' deposit accounts	\$ 51,143
Sewer plant replacement accounts	48,000
Debt service sinking account	<u>20,160</u>
Total restricted assets - proprietary fund	<u>\$ 119,303</u>

	Actual	Required	Over (Under)
Requirements consisted of the following at June 30, 2017:			
Sewer revenue bond debt service sinking account	\$20,160	\$ -	\$ 20,160
Sewer revenue bond debt service reserve account	24,000	21,159	2,841
Sewer revenue bond debt service depreciation and contingency account	24,000	21,159	2,841
Customer deposits – gas, water, and sewer	<u>51,143</u>	<u>20,050</u>	<u>31,093</u>
Total restricted assets - proprietary fund	<u>\$ 119,303</u>	<u>\$ 62,368</u>	<u>\$ 56,935</u>

NOTE H - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

NOTE I - CONTINGENCIES

The Village participates in a number of federal and state grant programs that are either partially or fully funded by grants received from other governmental units. Such grants are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the Village believes that any disallowed costs as a result of such audits will be immaterial.

NOTE J – RESTRICTED NET POSITION

Restricted net position consists of cash in customer deposits in excess of the actual amount due and payable to the Village's utility customers and cash in the depreciation and contingency accounts set aside in accordance with bond restrictions.

NOTE K - ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana pays a portion of the salaries of the Village's police chief. These on-behalf payments have been recorded in the accompanying financial statements in accordance with GASB Statement 24 as intergovernmental revenues and expenditures as follows:

Intergovernmental Revenues:	
State-Police	\$ 6,000
Expenditures:	
Salaries-Police	\$ 6,000

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ELIZABETH, LOUISIANA
 General Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Taxes:				
Property	\$ 10,000	\$ 10,000	\$ 11,083	\$ 1,083
Franchise	11,000	17,000	30,151	13,151
Sales	58,000	67,000	80,792	13,792
Beer	<u>-</u>	<u>-</u>	<u>1,090</u>	<u>1,090</u>
Total taxes	<u>79,000</u>	<u>94,000</u>	<u>123,116</u>	<u>29,116</u>
Licenses and permits	<u>18,000</u>	<u>20,500</u>	<u>21,041</u>	<u>541</u>
Fines and forfeitures	<u>54,300</u>	<u>75,000</u>	<u>99,590</u>	<u>24,590</u>
Intergovernmental:				
State of Louisiana -				
State grant	20,000	-	141,158	141,158
Street maintenance	4,500	2,800	4,940	2,140
Local grant	<u>4,000</u>	<u>2,900</u>	<u>3,117</u>	<u>217</u>
Total intergovernmental	<u>28,500</u>	<u>5,700</u>	<u>149,215</u>	<u>143,515</u>
Miscellaneous:				
Interest	100	100	11	(89)
Rental income	49,500	64,000	68,413	4,413
Miscellaneous	<u>4,150</u>	<u>20,095</u>	<u>38,092</u>	<u>17,997</u>
Total miscellaneous	<u>53,750</u>	<u>84,195</u>	<u>106,516</u>	<u>22,321</u>
Total revenues	<u>233,550</u>	<u>279,395</u>	<u>499,478</u>	<u>220,083</u>
EXPENDITURES				
General government:				
Advertising	2,000	3,500	4,235	(735)
Contract Labor	1,150	29,000	13,943	15,057
Dues and subscriptions	2,200	7,000	2,657	4,343
Insurance	52,000	45,000	30,864	14,136
Materials and supplies	49,000	90,000	59,322	30,678
Miscellaneous	1,950	2,250	2,166	84
Office supplies	3,000	3,500	3,780	(280)
Postage	3,200	2,300	4,028	(1,728)
Professional services	27,300	100,300	48,797	51,503
Repairs and maintenance	27,200	8,500	11,220	(2,720)
Salaries and payroll taxes	174,355	160,555	126,989	33,566
Travel and meetings	6,000	3,000	2,435	565
Uniforms	3,000	500	319	181
Utilities	<u>39,500</u>	<u>37,700</u>	<u>42,508</u>	<u>(4,808)</u>
Subtotal	<u>391,855</u>	<u>493,105</u>	<u>353,263</u>	<u>139,842</u>
Capital outlays	<u>35,000</u>	<u>35,000</u>	<u>28,710</u>	<u>6,290</u>
Total general government	<u>426,855</u>	<u>528,105</u>	<u>381,973</u>	<u>146,132</u>

VILLAGE OF ELIZABETH, LOUISIANA
 General Fund - Continued
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Public Safety -				
Contract Labor	10,050	7,500	680	6,820
Dues and subscriptions	500	500	642	(142)
Insurance	11,500	19,000	13,266	5,734
Intergovernmental	-	-	1,642	(1,642)
Materials and supplies	7,500	25,500	17,043	8,457
Miscellaneous	4,050	200	1,313	(1,113)
Office Supplies	-	-	981	(981)
Repairs and maintenance	7,500	22,700	24,766	(2,066)
Salaries and payroll taxes	48,400	68,900	57,261	11,639
Travel and meetings	4,500	4,700	8,754	(4,054)
Uniform expense	-	-	2,551	(2,551)
Utilities	<u>7,200</u>	<u>7,500</u>	<u>4,251</u>	<u>3,249</u>
Subtotal	101,200	156,500	133,150	23,350
Capital outlays	<u>10,000</u>	<u>55,000</u>	<u>73,890</u>	<u>(18,890)</u>
Total public safety	<u>111,200</u>	<u>211,500</u>	<u>207,040</u>	<u>4,460</u>
Public Works -				
Insurance	-	-	16,258	(16,258)
Salaries and payroll taxes	<u>6,900</u>	<u>6,900</u>	<u>69,801</u>	<u>(62,901)</u>
Subtotal	6,900	6,900	86,059	(79,159)
Capital outlays	<u>-</u>	<u>-</u>	<u>190,276</u>	<u>(190,276)</u>
Total public works	<u>6,900</u>	<u>6,900</u>	<u>276,335</u>	<u>(269,435)</u>
Total expenditures	<u>\$544,955</u>	<u>\$746,505</u>	<u>\$865,348</u>	<u>\$(118,843)</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF ELIZABETH
Proprietary Fund
Schedule of Operating Expenses by Department
Year Ended June 30, 2017

Gas Department:	
Depreciation	\$ 53,235
Dues and subscriptions	4,418
Gas purchases	1,661,397
Insurance	16,028
Materials and supplies	23,340
Miscellaneous	5,407
Payroll taxes	4,903
Professional Fees	6,882
Repairs and maintenance	8,616
Salaries	64,085
Training	7,890
Travel	885
Uniforms	1,206
Utilities and telephone	<u>1,512</u>
Total Gas Department	1,859,804
Water Department:	
Advertising	387
Depreciation	41,183
Dues and subscriptions	2,260
Insurance	11,645
Materials and supplies	22,367
Miscellaneous	4,523
Payroll taxes	3,563
Repairs and maintenance	17,475
Salaries	46,575
Utilities and telephone	<u>3,764</u>
Total Water Department	153,742
Sewer Department:	
Depreciation	12,665
Insurance	4,428
Materials and supplies	13,668
Miscellaneous	6,763
Payroll taxes	1,340
Repairs and maintenance	19,361
Salaries	17,521
Utilities and telephone	<u>7,440</u>
Total Sewer Department	83,186
Electric Department:	
Depreciation	<u>3,858</u>
Total Electric Department	3,858
Total Operating Expenses	<u>\$2,100,590</u>

VILLAGE OF ELIZABETH, LOUISIANA
Schedule of Compensation Paid to Mayor and Council Members
For The Year Ended June 30, 2017

Mandy Green – Mayor	\$ 7,486
Wayne Earl - Mayor	11,366
Shirley Smith	1,500
Gerald Steele	1,500
Kenneth Kelly	625
Mandy Green - Council	<u>875</u>
 Total Compensation Paid to Mayor and Council Members	 <u>\$ 23,352</u>

VILLAGE OF ELIZABETH, LOUISIANA
 Schedule of Compensation, Benefits and Other Payments to
 Chief Executive Officer
 For The Year Ended June 30, 2017

Chief Executive Officer: Wayne Earl, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$11,366
Benefits-insurance	-0-
Benefits-retirement	-0-
Benefits-cell phone	200
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	70
Travel	183
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Chief Executive Officer: Mandy Green, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary (\$7,486 as Mayor and \$875 as council member)	\$8,361
Benefits-insurance	-0-
Benefits-retirement	-0-
Benefits-cell phone	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	284
Registration fees	125
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

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Member
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Certified Public Accountants

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

November 7, 2017

Honorable Mandy Green, Mayor
and the Village Council
Village of Elizabeth, Louisiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Elizabeth, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the Village of Elizabeth, Louisiana's basic financial statements and have issued our report thereon dated November 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Elizabeth, 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 Elizabeth, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Elizabeth, Louisiana's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Items 2017-3 I/C that we consider to be a significant deficiency.

Honorable Mandy Green, Mayor
and the Village Council
Village of Elizabeth, Louisiana
November 7, 2017
Page 2

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Village of Elizabeth, Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Items 2017-1 C and 2017-2 C.

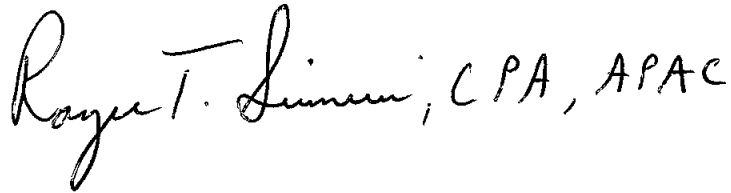
Village of Elizabeth, Louisiana's Response to Findings

The Village of Elizabeth, Louisiana's response to the findings identified in our audit is described in the accompanying management's corrective action plan for the current year audit findings and responses. The Village of Elizabeth, 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

This 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Royce T. Scimemi, CPA, APAC

A handwritten signature in black ink that reads "Royce T. Scimemi, CPA, APAC". The signature is written in a cursive style with a large initial 'R'.

VILLAGE OF ELIZABETH, LOUISIANA
Schedule of Findings and Responses
Year Ended June 30, 2017

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Control deficiencies(s) identified that are
not considered to be material weakness(es)? X yes ___ none reported
- Noncompliance material to financial
statements noted? ___ yes X no

Findings – Financial Statement Audit

Finding #2017-1 C:

Local Governmental Budget Act Compliance

- Condition: General fund actual expenses exceed budgeted expenses by 16%.
- Criteria: The actual expenditures in the general fund were in excess of budgeted amounts by 5% or more.
- Cause: The general fund budget was prepared without including estimates for construction projects in progress at year end.
- Effect: Possible violation of the Louisiana Local Governmental Budget Act.
- Recommendation: Closely monitor annual budgets and include expenditures and accruals at or near year end for construction projects in progress.
- Response: See Corrective Action Plan

Finding #2017-2 C:

Public Bid Law Compliance

- Condition: Purchases were made during the year that may not have complied with the Louisiana Public Bid Law.
- Criteria: The Village purchased water well control equipment for \$13,923, a vehicle for \$24,358, and a generator for \$20,818 that may not have been in compliance with the Louisiana Public Bid Law which required the Village to have documentation of 3 phone or facsimile quotes on each of these purchases. No such documentation was provided on these purchases.
- Cause: Documentation of compliance with the Public Bid Law was not gathered at the time the purchases were made.
- Effect: Possible violation of the Public Bid Law.
- Recommendation: The Village Clerk should closely monitor large purchases to ensure that adequate documentation is maintained and that the required procedures are followed.
- Response: See Corrective Action Plan

VILLAGE OF ELIZABETH, LOUISIANA
Schedule of Findings and Responses
Year Ended June 30, 2017

Finding #2017-3 I/C:

Inadequate Segregation of Duties

Condition: The small number of employees may create a condition where sufficient segregation of duties is not practical.

Criteria: This is an ongoing finding that cannot be corrected due to lack of financial resources and the size of the entity.

Cause: Insufficient staff to adequately segregate cash flow functions.

Effect: Internal control deficiencies.

Recommendation: Ensure that management is involved in daily operating activities to ensure adequate oversight.

Response: See Corrective Action Plan

Federal Award Findings and Questioned Costs

None

VILLAGE OF ELIZABETH, LOUISIANA
Management's Corrective Action Plan for
Current Year Audit Findings and
Responses (Unaudited)
Year Ended June 30, 2017

Finding #2017-1 C:

Local Governmental Budget Act Compliance

Management is monitoring revenues and expenditures monthly and amending the budget as necessary to comply with the Louisiana Local Governmental Budget Act. In the future, large construction projects in progress will be incorporated into the budget calculations.

Finding #2017-2 C:

Public Bid Law Compliance

Management is now aware of the requirements of the Louisiana Public Bid Law and will comply in the future.

Finding #2017-3 I/C:

Inadequate Segregation of Duties

This is an ongoing finding that cannot be corrected due to lack of financial resources and the size of the entity.

VILLAGE OF ELIZABETH, LOUISIANA
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2017

Finding #2016-1 I/C & C:

Reserve Fund Requirements on Gas Revenue Bond Issue

The Village has set up the required bank accounts, made certain required monetary transfers, and maintains the bank accounts at or above the required reserve levels.

Finding #2016-2 C:

Prepayment of Payroll Liabilities

Pay dates have been adjusted forward past effective payroll dates to provide sufficient time to process payroll after the end of the respective payroll periods.

Finding #2016-3 C:

Affordable Care Act Nondiscrimination Provisions Applicable to Insured Group Health Plans-Notice 2011-1

The Village has set up a group health insurance plan that provides equal benefits to all full-time employees.

Finding #2016-4 I/C:

Inadequate Segregation of Duties

This is an ongoing finding that cannot be corrected due to lack of financial resources and the size of the entity.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mandy Green, Mayor
and the Village Council
Village of Elizabeth, Louisiana

November 7, 2017

We have performed the procedures included enumerated below, which were agreed to by the management of the Village of Elizabeth, Louisiana (Village) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Village's management is responsible for those C/C 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 as follows:

Written Policies and Procedures

1. Obtain the Village'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 Village does not have any written policies and procedures), as applicable:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

All addressed without exception.

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.

All addressed with exception for how vendors are added to the vendor list (Exception)

c) ***Disbursements***, including processing, reviewing, and approving.

All addressed without exception.

d) ***Receipts***, including receiving, recording, and preparing deposits.

The policies provided do not address these factors (Exception).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The employee handbook provided addressed items without exception.

- 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.

All addressed without exception.

- 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.

All addressed without exception.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

All addressed without exception.

- 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 Village's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

None of the above four requirements were included in the policy provided (Exception).

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No policy was provided and no debt was incurred during the current fiscal year (Exception).

Council (or Finance Committee, if applicable)

2. Obtain and review the council minutes for the fiscal period, and:

- a) Report whether the managing council met (with a quorum) at least monthly, or on a frequency in accordance with the council's enabling legislation, charter, or other equivalent document.

The minutes reflected that the managing council met monthly in accordance with enabling legislation without exception.

- 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 Village's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one council meeting during the fiscal period reflect that the council is monitoring the plan.

Budget guidelines, including comparisons of budget to actual figures, are not being discussed during the monthly meetings (Exception). A vendor report is created on QuickBooks and handed to the council for review of invoices paid during the prior month.

- 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.

At meetings on August 2, 2016 and March 7, 2017 contracts to be signed by Mayor were discussed and acted on.

Bank Reconciliations

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

The listing was provided by management.

4. Using the listing provided by management, select all of the Village's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* 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;

Each bank account selected was reconciled without exception.

- b) Bank reconciliations include evidence that a member of management or a council member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The mayor started signing off on the reconciliations starting in May of 2017 (Exception). The mayor is the primary person responsible for bringing the deposits to the bank. She is also responsible for signing the checks (Exception).

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Management has researched all outstanding checks and deposits older than 6 months without exception.

Collections

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

The listing was provided by management.

6. Using the listing provided by management, select all of the Village'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 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous

practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* 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.

Each person responsible for handling cash is bonded. Each person responsible for collecting cash is also recording the transaction through an integrated cash collection/accounting system (Exception). There is one centralized collection location in the Village Hall. The Village Clerk reconciles the bank accounts, signs checks, sometimes makes deposits, and sometimes handles cash at collection points (Exception). All of the employees that collect payments share one centralized drawers with each other (Exception).

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Village 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.

The Village has a formal process to reconcile cash collections to the general ledger by revenue source, this reconciliation is done by an employee that was not involved in the collection of cash throughout the day without exception.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Village 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.

Deposits are made on a weekly basis (Exception). The money is locked in a safe until the time of deposit (Compensating Control). The Village does not take in a significant amount of revenues except for certain times of the month for utility payments. The Village's bank is located in a different city and daily deposits are inconvenient.

- 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.

No evidence of exceptions was found during the testing.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Village has a process specifically defined (identified as such by the Village) 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.

The Village's policies include some of the processes specifically defined to determine completeness of all collections but they are generally performed by persons who are also responsible for collections (Exception).

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

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

The listing was provided by management without exception.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Village 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.

There is no purchase order system or equivalent electronic system established or in use at this time for the Village that separates initiation from approval (Exception). Of the 25 disbursements tested, 13 of them did not require a purchase order or a receiving report as there were no goods delivered but rather recurring transactions or services provided. All invoices received final approval at the time of payment rather than at the time of service or delivery (Exception).

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

There was no purchase order system in place and in most cases the same person initiating the purchase was also the one to approving the invoice (Exception).

- c) Payments for purchases were not processed without (1) 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.

13 of the transactions tested were either recurring, no products were delivered, or no receiving report obtained/appropriate. The rest of the transactions were paid without approved purchase orders (Exception).

10. Using Village 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 Village's purchasing/disbursement system.

The Village Clerk has the authority to sign checks, perform accounts payable payment processing, and add vendors to the Village's system (Exception).

11. Using Village 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.

The Village Clerk has signatory authority and authorization for disbursements. She can also initiate and record purchases (Exception).

12. 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 Village documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The Village's blank checks are locked in the Village Clerk's drawer when not in use. She is the only one with access to the blank checks and has signature authority (Exception).

13. 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.

The Village does not use signature stamps. Checks are often maintained under the control of the signer until mailed (Exception).

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

14. 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.

The listing was provided by management without exception.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the Village 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.])

On the month tested, there was no evidence that statement was reviewed and approved by someone other than the authorized card holder (Exception).

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges and/or late fees were assessed on the month tested.

16. Using the monthly statements or combined statements selected under #15 above, 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).
Certain transactions were not supported by documentation or invoice (Exception).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
Certain transactions did not include documentation of business/public purpose. (Exception).
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
No purchase orders or written documentation evidencing approval were provided (Exception).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Village'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.

Certain transactions that were tested failed to comply with the Village's written policies by not obtaining invoices. No transactions tested were \$10,000 or more requiring compliance with the Louisiana Public Bid Law.

- c) For each transaction, compare the Village'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.

No evidence of noncompliance noted in the transactions tested.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided the requisite list without exception.

18. Obtain the Village's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The GSA mileage rates are to be used for reimbursements to Village employees for mileage. GSA mileage rates were \$0.575/mile for 2016 and \$0.535/mile for 2017. Instead of utilizing the applicable GSA rates, the Village reimbursements were based on a standard mileage rate of \$0.54/mile from July 1, 2016 until February of 2017 when the changed to the GSA rates for 2017 (Exception for the two months of January and February 2017). The Village does not pay a per diem rate for travel but rather the actual travel expenses occurred. The Village reimburses for mileage based on the standard mileage rate for the year and any meals purchased during travel

that required them to be absent for more than one working day (more than six hours). The Village pays for conferences and hotels directly and does not reimburse employees for those expenses.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Village does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

All expense reimbursements tested were in accordance with the Village's written policy with exceptions. In one instance, the Village paid for an employee's fuel costs rather than his mileage reimbursement during his approved travel (Exception).

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Itemized receipts were provided for all expenses tested that identified what was purchased without exception.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Each expense was supported by documentation of business purpose without exception.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Documentation in accordance with written policies was provided without exception.

- c) Compare the Village'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. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). 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.

The Village's documentation of business/public purpose for tested expenses appeared to comply with the requirements of Article 7, Section 14 of the Louisiana Constitution.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each expense tested was supported by documentation of review and approval in writing by someone other than the traveler without exception.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the listing without exception.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

On one out of the five contracts, there was no written contract available (Exception). The other four of the five contracts were reviewed and supported the amount paid without exception.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Village complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

One of the contracts was subject to the Louisiana Public Bid Law and was not in compliance with all legal requirements (Exception). One of the other contracts was subject to the Louisiana Public Bid Law and in compliance with all legal requirements.

- If no, obtain supporting contract documentation and report whether the Village solicited quotes as a best practice.

Three of the five contracts were not subject to the Louisiana Public Bid Law and quotes were not solicited.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

None of the contracts were amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The largest payments from each of the four contracts that were available were in compliance with the terms and conditions of the contracts. Since one of the contracts was not in writing, testing of compliance with the contract terms was not possible (Exception).

- e) Obtain/review contract documentation and council minutes and report whether there is documentation of council approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Documentation was not provided reflecting approval by the council of one of the contracts as it is not required by policy or law.

Payroll and Personnel

22. 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:

The listing was provided by management without exception.

- 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.

Employee payroll files were not complete and three of the five employees tested did not include an approved pay rate (Exception). Otherwise all payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

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.

There were three rate changes in two of the tested employees' payroll. Approval in writing was provided for two of those three rate changes (Exception).

23. 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 Village 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). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All employees tested had documentation of daily attendance and leave without exception, if applicable.

Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

There was written documentation of supervisor's approval for twenty-three of the twenty-five employees tested (Exception).

- b) Report whether there is written documentation that the Village maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

The Village maintained written leave records reflecting the hours earned, the hours used, and the balance available at fiscal year-end without exception.

24. 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.

The listing was provided by management without exception. The termination payments made to the employees tested were in strict accordance with the termination policy.

25. 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.

Documentation reflected that payroll tax returns/reports were timely filed and all payroll taxes were timely paid and submitted for the fiscal year without exception. Since the Village does not participate in any retirement plans, there were no reporting or payment requirements applicable.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Village maintained documentation to demonstrate that required ethics training was completed.

Of the five employees selected for testing, three had failed to obtain the documentation of completion of the required one-hour ethics training on the Code of Governmental Ethics as required by Louisiana Revised Statute 42:1170 (3)(a)(i) (Exception).

27. Inquire of management whether any alleged ethics violations were reported to the Village 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 Village's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management was not notified of any alleged or actual ethics violations during the fiscal period.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the Village, and report whether State Bond Commission approval was obtained.

No debt was issued during the fiscal period.

29. If the Village had outstanding debt during the fiscal period, obtain supporting documentation from the Village and report whether the Village made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The Village has made the scheduled USDA debt service payments and the associated debt reserves payments as required by the debt covenants.

30. If the Village had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Village did not have tax millages related to debt service payments.

Other

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

Management informed us that the Village did not have any misappropriation of public funds or assets during the fiscal year.

32. Observe and report whether the Village 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.

The Village did have the required notice posted in a conspicuous place upon its premises but the Village does not have a website.

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

The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

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 C/C 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 C/C 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.

Royce T. Scimemi, CPA, APAC

