

VILLAGE OF ELIZABETH, LOUISIANA

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2014

Royce T. Scimemi, CPA, APAC
Oberlin, LA

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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, 2014. 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 \$2,322,207 (net position) for the fiscal year reported.
- Total revenues of \$3,391,448 exceeded total expenses of \$3,036,370 which resulted in a current year surplus of \$355,078. In comparison, for the previous year ended June 30, 2013, the Village's total revenues of \$2,676,859 exceeded its total expenses of \$2,650,458, yielding a surplus of \$26,401.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,433,905 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, 2013, the Village's net capital assets were \$1,432,573.
 - (2) For the fiscal year ended June 30, 2014, net position of \$25,999 was restricted by constraints imposed from outside the Village such as debt covenants, grantors, laws, or regulations. The Village did not report net position restricted in fiscal year ended June 30, 2013.
 - (3) Unrestricted net position, representing the portion of net position available to maintain the Village's continuing obligations to citizens and creditors, amounted to \$862,303 and \$514,490 for the fiscal years ended June 30, 2014 and 2013, respectively.
- The Village's governmental funds reported total surplus ending fund balance of \$301,176 this year. This compares to the prior year ending surplus fund balance of \$365,839 reflecting a deficit of \$64,663 during the current year. For the prior year ended June 30, 2013, an increase of \$91,275 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 \$301,176, or 85% of total General Fund expenditures and 103% of total General Fund revenues including other financing sources. In comparison, for the fiscal year ended June 30, 2013, unassigned fund balance for the General Fund was of \$365,839, or 92% of total General Fund expenditures and 75% of total General Fund revenues including other financing sources.
- Overall, the Village improved 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 funds are classified as enterprise funds. These enterprise funds essentially encompass 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 is the schedule of compensation paid to the Mayor and Council members and is presented in a subsequent section of this report on page 42.

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 \$2,322,207, summarized as follows:

Summary of Net Position

	Governmental Activities	Business-Type Activities	06/30/14 Total	Percentage Total	06/30/13 Total
Assets:					
Current assets	\$ 306,914	\$ 829,302	\$ 1,136,216	33%	\$ 799,570
Capital assets, net	<u>398,729</u>	<u>1,901,951</u>	<u>2,300,680</u>	<u>67</u>	<u>2,340,008</u>
Total assets	<u>705,643</u>	<u>2,731,253</u>	<u>3,436,896</u>	<u>100%</u>	<u>3,139,578</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-%</u>	<u>-</u>
Liabilities:					
Current liabilities	5,738	278,909	284,647	26%	291,487
Long-term liabilities	<u>-</u>	<u>830,042</u>	<u>830,042</u>	<u>74</u>	<u>901,028</u>
Total liabilities	<u>5,738</u>	<u>1,108,951</u>	<u>1,114,689</u>	<u>100%</u>	<u>1,192,515</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-%</u>	<u>-</u>
Net Position:					
Investment in capital assets, net of debt	398,729	1,035,176	1,433,905	62%	1,432,573
Restricted	-	25,999	25,999	1%	-
Unrestricted	<u>301,176</u>	<u>561,127</u>	<u>862,303</u>	<u>37%</u>	<u>514,490</u>
Total net position	<u>\$ 699,905</u>	<u>\$ 1,622,302</u>	<u>\$ 2,322,207</u>	<u>100%</u>	<u>\$ 1,947,063</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 53.49 to 1 for governmental activities and 2.97 to 1 for business-type activities. This compares with the prior year's ratios of 10.83 to 1 and 1.87 to 1, respectively. For the Village overall, the current ratio is 3.99 to 1 while that same financial indicator was 2.74 to 1 for the fiscal year ended June 30, 2013. These ratios are strong.

The Village reported positive balances in net position for both governmental and business-type activities. For the fiscal years ended June 30, 2014 and 2013, respectively, net position increased (decreased) by (\$74,780) and \$58,431 for governmental activities and by \$429,858 and (\$32,030) for business-type activities. The Village's overall financial position improved during the fiscal year ended in June 30, 2014, mainly due to normal operations and utility cooperative distributions.

Note that approximately 57% and 53% of the governmental activities' net position are tied up in capital assets as of June 30, 2014 and June 30, 2013, respectively. The Village uses these capital assets to provide services to its citizens. However, with business-type activities, the Village has invested approximately 64% and 86% of its net position on capital assets during the respective fiscal years ended June 30, 2014 and 2013. 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, 2014 and 2013, 62% and 73% 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	2014 Total	% Total	2013 Total	% Total
Revenues:						
Program:						
Charges for services/fines	\$ 30,148	\$ 3,173,143	\$ 3,203,291	94%	\$ 2,301,604	86%
Operating grants	12,500	-	12,500	-%	232,458	9%
General:						
Sales taxes	70,815	-	70,815	2%	60,875	2%
Other taxes	20,192	-	20,192	1%	18,800	1%
Other	84,640	10	84,650	3%	63,122	2%
Total Revenues	<u>218,295</u>	<u>3,173,153</u>	<u>3,391,448</u>	<u>100%</u>	<u>2,676,859</u>	<u>100%</u>
Program expenses:						
General government	304,066	-	304,066	10%	227,401	9%
Public safety	53,960	-	53,960	2%	29,377	1%
Public works	8,153	-	8,153	1%	168,082	6%
Gas	-	2,395,706	2,395,706	79%	2,032,075	77%
Water	-	187,863	187,863	6%	106,137	4%
Electric	-	3,859	3,859	-%	60,383	2%
Sewer	-	44,151	44,151	1%	27,003	1%
Interest	-	38,612	38,612	1%	-	-%
Total Expenses	<u>366,179</u>	<u>2,670,191</u>	<u>3,036,370</u>	<u>100%</u>	<u>2,650,458</u>	<u>100%</u>
Excess (deficiency)	(147,884)	502,962	355,078		26,401	
Transfers	<u>73,104</u>	<u>(73,104)</u>	<u>-</u>		<u>-</u>	
Change in net position	(74,780)	429,858	355,078		26,401	
Beginning net position	754,621	1,192,444	1,947,065		1,920,664	
Prior period adjustment-Note J	20,064	-	20,064		-	
Beginning net position as restated	<u>774,685</u>	<u>1,192,444</u>	<u>1,967,129</u>		<u>1,920,661</u>	
Ending net position	<u>\$ 699,905</u>	<u>\$ 1,622,302</u>	<u>\$ 2,322,207</u>		<u>\$ 1,947,065</u>	

GOVERNMENTAL REVENUES

The Village is heavily reliant on utility revenues and sales taxes to support governmental operations. Sales taxes equal 33% of the revenues for governmental activities, as compared with 43% in the prior year. Also note that program revenues cover only 12% (76% in the year ended June 30, 2013) of governmental operating expenses. This means that the government's taxpayers and the Village's other general revenues fund 88% (24% 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, 2014 and 2013, respectively, general government comprised 10% and 9% of the Village's total expenses and 83% and 54% of the total governmental expenses. For the fiscal years ended June 30, 2014 and 2013, total public safety makes up 15% and 7% 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

	06/30/14		06/30/13	
	Total Cost of Services	Net Cost (Benefit) of Services	Total Cost of Services	Net Cost (Benefit) of Services
General government	\$ 304,066	\$ 267,988	\$ 227,401	\$ 71,189
Public safety	53,960	47,390	29,377	29,377
Public works	8,153	8,153	168,082	-
Total	<u>\$ 366,179</u>	<u>\$ 323,531</u>	<u>\$ 424,860</u>	<u>\$ 100,566</u>

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

The operating revenues for the utility funds were 44% more than 2013 and operating expenses 22% more than 2013. Within the total business-type activities of the Village, these activities reported a \$541,564 operating income compared to an operating income of \$41,869 for the prior year. However, after operating transfers, the utility funds reported a surplus of \$429,858, which compares with the overall fund deficit of \$32,030 experienced in the year ended June 30, 2013.

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 \$301,176 and \$365,839 for the fiscal years ended June 30, 2014 and 2013, respectively. Of the year-end totals for June 30, 2014, \$301,176 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 an decrease of \$64,663. This compares with an increase of \$91,275 experienced in the prior fiscal year ended June 30, 2013.

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 \$64,663 in the current fiscal year, while in the fiscal year ended June 30, 2013, the fund balance increased by \$91,275. 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 a decrease of \$185,796 or 46% less than the prior year reflecting primarily decreases in income from intergovernmental sources. The expenditures side shows a decrease of \$40,954 or 10% less than the prior year reflecting primarily decreases in general government spending.

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

The General Fund's ending fund balance was less than the prior year representing the equivalent of 85% of its annual expenditures and 103% 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

The General Fund - Both the revenue and the expenditure sides of the current year final budget for the General Fund were revised by a \$155,358 decrease and a \$29,070 increase, respectively in relation to the prior year's final budget. The primary change in the General Fund's amended revenue budget relates to decreases in grant income, and the amended expenditure budget increases to general government spending.

The actual revenues were exceeded by the final budget revenues by \$25,987 or 11% and the actual expenditures were less than budgeted expenditures by \$69,008 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, 2014, were \$398,729 and \$1,901,951, respectively, while those figures as of June 30, 2013, were \$408,846 and \$1,931,162 respectively. The overall decrease was 2% 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. The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-depreciable assets:						
Land	\$ 110,000	\$ 110,000	\$ 33,275	\$ 18,275	\$ 143,275	\$ 128,275
Total non-depreciable	<u>110,000</u>	<u>110,000</u>	<u>33,275</u>	<u>18,275</u>	<u>143,275</u>	<u>128,275</u>
Depreciable assets:						
Vehicles	103,932	95,462	-	-	103,932	95,462
Buildings	528,724	528,724	-	-	528,724	528,724
Equipment	163,602	157,026			163,602	157,026
Utility systems	-	-	3,417,505	3,342,400	3,417,505	3,342,400
Total depreciable assets	796,258	781,212	3,417,505	3,342,400	4,213,763	4,123,612
Less accumulated depreciation	<u>507,529</u>	<u>482,366</u>	<u>1,548,829</u>	<u>1,429,513</u>	<u>2,056,358</u>	<u>1,911,879</u>
Book value-depreciable assets	<u>\$ 288,729</u>	<u>\$ 298,846</u>	<u>\$ 1,868,676</u>	<u>\$ 1,912,887</u>	<u>\$ 2,157,405</u>	<u>\$ 2,211,733</u>
Percentage depreciated	64%	62%	45%	43%	49%	46%
Book value-all assets	<u>\$ 398,729</u>	<u>\$ 408,846</u>	<u>\$ 1,901,951</u>	<u>\$ 1,931,162</u>	<u>\$ 2,300,680</u>	<u>\$ 2,340,008</u>

VILLAGE OF ELIZABETH, LOUISIANA

Management's Discussion and Analysis (Continued)

The depreciable capital assets for governmental activities were 64% and 62% depreciated for the fiscal years ended June 30, 2014 and June 30, 2013, respectively. This comparison indicates that the Village is replacing its governmental assets at slightly less than the rate as they are depreciating.

The major additions are:

- 2 Vehicles
- Computers

With the Village's business-type activities, 45% of the asset values were depreciated at June 30, 2014 compared to 43% at June 30, 2013.

The major additions are:

- Land
- Gas Lines For New Jail
- Aerator

Long-term debt

At the end of the fiscal year, the Village had total long-term debt outstanding of \$863,602. 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 \$44,833 in long-term debt. See Note F for additional information regarding long-term debt.

	Outstanding Borrowings	
	<u>06/30/14</u>	<u>06/30/13</u>
Gas revenue bonds	\$ 344,000	\$ 372,000
USDA gas revenue bonds	<u>519,602</u>	<u>536,435</u>
Total	<u>\$ 863,602</u>	<u>\$ 908,435</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, Wayne Earl, P.O. Box 457, Elizabeth, LA 70638.

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INDEPENDENT AUDITORS' REPORT

May 5, 2015

Honorable Wayne Earl, 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, 2014, 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, 2014, 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.

Report on Summarized Comparative Information

Elliott & Associates, Inc. previously audited the Village's June 30, 2013 financial statements, and their report dated December 28, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

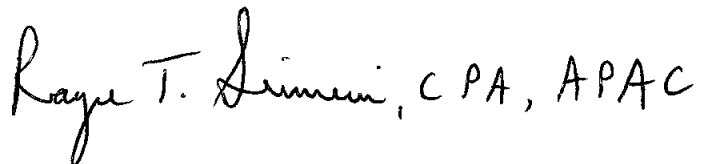
Other Information

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 schedule of compensation paid to the Mayor and Council Members is presented on pages 42 for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation paid to the Mayor and Council Members 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 schedule of compensation paid to the Mayor and Council Members 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 May 05, 2015, 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, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and certificates of deposit	\$ 289,693	\$ 522,843	\$ 812,536
Accounts Receivable	17,221	268,450	285,671
Restricted cash	-	38,009	38,009
Total current assets	<u>306,914</u>	<u>829,302</u>	<u>1,136,216</u>
Noncurrent assets:			
Land	110,000	33,275	143,275
Capital assets, net	288,729	1,868,676	2,157,405
Total noncurrent assets	<u>398,729</u>	<u>1,901,951</u>	<u>2,300,680</u>
Total Assets	<u>705,643</u>	<u>2,731,253</u>	<u>3,436,896</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,303	221,700	227,003
Accrued interest payable	--	3,173	3,173
Other accrued liabilities	435	8,466	8,901
Revenue bonds payable	--	45,570	45,570
Total current liabilities	<u>5,738</u>	<u>278,909</u>	<u>284,647</u>
Noncurrent liabilities:			
Customer deposits	--	12,010	12,010
Revenue bonds payable	--	818,032	818,032
Total noncurrent liabilities	<u>--</u>	<u>830,042</u>	<u>830,042</u>
Total Liabilities	<u>5,738</u>	<u>1,108,951</u>	<u>1,114,689</u>
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION			
Net investment in capital assets	398,729	1,035,176	1,433,905
Restricted	-	25,999	25,999
Unrestricted	301,176	561,127	862,303
Total Net Position	<u>\$ 699,905</u>	<u>\$ 1,622,302</u>	<u>\$ 2,322,207</u>

See accompanying notes.

Village of Elizabeth, Louisiana
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 304,066	\$ 23,578	\$ 12,500	\$ (267,988)	\$ --	\$ (267,988)
Public safety	53,960	6,570	--	(47,390)	--	(47,390)
Public works	8,153	--	--	(8,153)	--	(8,153)
Total Governmental Activities	366,179	30,148	12,500	(323,531)	--	(323,531)
Business-type Activities:						
Gas Fund	2,395,706	2,962,010	--	--	566,304	566,304
Sewer Fund	44,151	27,352	--	--	(16,799)	(16,799)
Electric Fund	3,859	51,987	--	--	48,128	48,128
Water Fund	187,863	131,794	--	--	(56,069)	(56,069)
Interest and fiscal charges - gas	38,612	--	--	--	(38,612)	(38,612)
Total Business-type Activities	2,670,191	3,173,143	--	--	502,952	502,952
Total Primary Government	\$ 3,036,370	\$ 3,203,291	\$ 12,500	(323,531)	502,952	179,421

General Purpose Revenues and Transfers:

Taxes:			
-Property	10,189	--	10,189
-Franchise	10,003	--	10,003
-Sales	70,815	--	70,815
Intergovernmental-state	4,940	--	4,940
Intergovernmental-local	2,925	--	2,925
Miscellaneous	20,347	--	20,347
Interest income	74	10	84
Rent	56,354	--	56,354
Transfers	73,104	(73,104)	--
Total General Revenues and Transfers	248,751	(73,094)	175,657
Change in Net Position	(74,780)	429,858	355,078
Net Position at Beginning	754,621	1,192,444	1,947,065
Prior Period Adjustment - Note J	20,064	-	20,064
Net Position - Beginning as Restated	774,685	1,192,444	1,967,129
Net Position at End of Period	\$ 699,905	\$ 1,622,302	\$ 2,322,207

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 Funds

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 these funds, 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, 2014

	<u>General Fund</u>
ASSETS	
Cash and certificates of deposit	\$ 289,693
Accounts receivable	17,221
Total Assets	<u>306,914</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	<u>\$ 306,914</u>
LIABILITIES	
Accounts payable	\$ 5,303
Other accrued liabilities	435
Total Liabilities	<u>5,738</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Liabilities and Deferred Inflows of Resources	<u>5,738</u>
FUND BALANCE	
Unassigned	301,176
Total Fund Balance	<u>301,176</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 306,914</u>

Village of Elizabeth, Louisiana

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2014

Total Fund Balance - Governmental Funds	\$	301,176
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Fixed assets are capitalized in the Statement of Net Assets and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

398,729

Total Net Position-Governmental Funds

\$ 699,905

Village of Elizabeth, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	General Fund
Revenues	
Taxes:	
Ad valorem	\$ 10,189
Public utility franchise	10,003
Sales	70,815
Fines and forfeitures	6,570
Licenses and permits	23,578
Intergovernmental	20,365
Miscellaneous	20,347
Interest income	74
Rent	56,354
	218,295
Total Revenues	
Expenditures	
Current:	
General government	290,753
Public safety	42,536
Public works	7,727
Capital outlay	15,046
	356,062
Total Expenditures	
Excess of Revenues Over	
 (Under) Expenditures	(137,767)
Other Financing Sources (Uses)	
Transfers from other funds	73,104
	73,104
Net Other Financing Sources (Uses)	
Net Change in Fund Balance	(64,663)
<i>Fund Balance at Beginning of Period</i>	345,775
<i>Prior Period Adjustment - Note J</i>	20,064
	365,839
Fund Balance at Beginning of Period-As Restated	
Fund Balance at End of Period	\$ 301,176

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ (64,663)
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	15,046
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(25,163)
Changes in Net Position - Governmental Funds	\$ <u>(74,780)</u>

Village of Elizabeth, Louisiana
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Gas Fund	Electric Fund	Water Fund	Sewer Fund	
ASSETS					
<i>Current Assets</i>					
Cash and certificates of deposit	\$ 441,733	\$ 26,959	\$ 40,619	\$ 13,532	\$ 522,843
Accounts receivable	251,335	4,351	10,087	2,677	268,450
Restricted cash	15,124	--	22,885	--	38,009
Total Current Assets	708,192	31,310	73,591	16,209	829,302
<i>Noncurrent Assets</i>					
Land	20,900	10,500	1,875	--	33,275
Capital assets, net	1,410,407	26,330	285,791	146,148	1,868,676
Total Noncurrent/Capital Assets	1,431,307	36,830	287,666	146,148	1,901,951
Total Assets	2,139,499	68,140	361,257	162,357	2,731,253
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--	--
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	216,694	818	3,076	1,112	221,700
Accrued interest payable	3,173	--	--	--	3,173
Other accrued liabilities	8,466	--	--	--	8,466
Current maturities of long-term debt	45,570	--	--	--	45,570
Total Current Liabilities	273,903	818	3,076	1,112	278,909
<i>Noncurrent Liabilities</i>					
Customer deposits	5,830	--	6,080	100	12,010
Long-term debt, net of current maturities	818,032	--	--	--	818,032
Total Noncurrent Liabilities	823,862	--	6,080	100	830,042
Total Liabilities	1,097,765	818	9,156	1,212	1,108,951
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--	--
NET POSITION					
Invested in capital assets, net of related debt	564,532	36,830	287,666	146,148	1,035,176
Restricted	9,294	--	16,805	(100)	25,999
Unrestricted	467,908	30,492	47,630	15,097	561,127
Total Net Position	\$ 1,041,734	\$ 67,322	\$ 352,101	\$ 161,145	\$ 1,622,302

Village of Elizabeth, Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Gas Fund	Electric Fund	Water Fund	Sewer Fund	
Operating Revenues					
Charges for services	\$ 2,449,153	\$ 51,987	\$ 131,794	\$ 27,352	\$ 2,660,286
Intergovernmental	130,756	--	--	--	130,756
Miscellaneous-PEAK	382,101	--	--	--	382,101
Total Operating Revenues	2,962,010	51,987	131,794	27,352	3,173,143
Operating Expenses					
Contract labor	22,076	--	--	--	22,076
Depreciation	68,830	3,859	35,417	11,210	119,316
Dues	220	--	250	--	470
Gas purchases	2,119,367	--	--	--	2,119,367
Insurance	29,561	--	8,587	2,034	40,182
Materials and supplies	47,311	--	18,548	1,387	67,246
Miscellaneous	8,027	--	2,180	--	10,207
Payroll taxes	5,144	--	3,693	934	9,771
Professional fees	3,250	--	--	5,450	8,700
Repairs and maintenance	19,682	--	59,141	4,807	83,630
Salaries and wages	65,705	--	46,613	11,886	124,204
Telephone	957	--	--	--	957
Travel	5,011	--	958	--	5,969
Utilities	565	--	12,476	6,443	19,484
Total Operating Expenses	2,395,706	3,859	187,863	44,151	2,631,579
Operating Income (Loss)	566,304	48,128	(56,069)	(16,799)	541,564
Non-Operating Revenues (Expenses)					
Interest income	--	10	--	--	10
Interest expense	(38,612)	--	--	--	(38,612)
Net Non-Operating Revenues (Expenses)	(38,612)	10	--	--	(38,602)
Income Before Contributions and Transfers	527,692	48,138	(56,069)	(16,799)	502,962
Operating transfers	(55,177)	(61,772)	17,205	26,640	(73,104)
Change In Net Position	472,515	(13,634)	(38,864)	9,841	429,858
Net Position at Beginning of Period	569,219	80,956	390,965	151,304	1,192,444
Net Position at End of Period	\$ 1,041,734	\$ 67,322	\$ 352,101	\$ 161,145	\$ 1,622,302

VILLAGE OF ELIZABETH, LOUISIANA
Statement of Cash Flows -
Proprietary Fund
For the Years Ended June 30, 2014

	<u>Business-Type Activities</u>				
	<u>Gas Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 2,555,369	\$ 51,505	\$ 114,729	\$ 26,926	\$ 2,748,529
Payments to suppliers	(2,227,680)	(3,995)	(108,479)	(22,045)	(2,362,199)
Payments to employees	(70,849)	-	(50,306)	(12,820)	(133,975)
Miscellaneous-PEAK	<u>382,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,101</u>
Net cash from operating activities	<u>638,941</u>	<u>47,510</u>	<u>(44,056)</u>	<u>(7,939)</u>	<u>634,456</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net proceeds (purchase) of investments	-	-	-	-	-
Interest earnings	-	10	-	-	10
Net cash used by noncapital financing activities	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest paid on gas revenue bonds	(42,069)	-	-	-	(42,069)
Principal paid on gas revenue bonds	(44,833)	-	-	-	(44,833)
Purchase of fixed assets	<u>(72,264)</u>	<u>-</u>	<u>(2,091)</u>	<u>(15,750)</u>	<u>(90,105)</u>
Net cash from capital activities	<u>(159,166)</u>	<u>-</u>	<u>(2,091)</u>	<u>(15,750)</u>	<u>(177,007)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating transfers	(55,177)	(61,772)	17,205	26,640	(73,104)
(Increase) decrease in due to/from other funds	<u>(66,172)</u>	<u>8,227</u>	<u>(6,182)</u>	<u>(2,000)</u>	<u>(66,127)</u>
Net cash from non-capital financing activities	<u>(121,349)</u>	<u>(53,545)</u>	<u>11,023</u>	<u>24,640</u>	<u>(139,231)</u>
NET INCREASE (DECREASE) IN CASH	358,426	(6,025)	(35,124)	951	318,228
CASH - BEGINNING	<u>98,431</u>	<u>32,984</u>	<u>98,628</u>	<u>12,581</u>	<u>242,624</u>
CASH - ENDING	<u>\$ 456,857</u>	<u>\$ 26,959</u>	<u>\$ 63,504</u>	<u>\$ 13,532</u>	<u>\$ 560,852</u>
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ 566,304	\$ 48,128	\$ (56,069)	\$ (16,799)	\$ 541,564
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation	68,830	3,859	35,417	11,210	119,316
(Increase) decrease in receivables	(16,416)	(482)	(1,086)	(526)	(18,510)
Increase (decrease) in payable	19,881	(3,995)	(6,338)	(1,924)	7,624
Increase (decrease) in other accrued liabilities	8,466	-	-	-	8,466
Increase (decrease) in customer deposits	<u>(8,124)</u>	<u>-</u>	<u>(15,980)</u>	<u>100</u>	<u>(24,004)</u>
Net cash from operating activities	<u>\$ 638,941</u>	<u>\$ 47,510</u>	<u>\$ (44,056)</u>	<u>\$ (7,939)</u>	<u>\$ 634,456</u>

See accompanying notes.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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 sewer and water utilities, police and fire protection and other services. The Village is governed by the Mayor and a board of five 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 Village was previously classified as a Town but due to population decreases is currently undergoing the process of being reclassified to a Village.

The accompanying financial statements of the Village have been prepared in conformity with governmental 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 accounting principles generally accepted in the United States of America, these financial statements present the Village of Elizabeth, Louisiana (the primary government) and its component units. By applying the above requirements, the Village has no component units.

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, 2014

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; and 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 Funds are 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 funds account 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, 2014

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 funds utilize 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 funds.

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, and includes information on 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, 2014

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 the 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. 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, 2014, the Village has \$864,421 in deposits (collected bank balances). These deposits are all secured from risk by federal deposit insurance and pledged collateral.

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

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

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

equivalents. The statement reflects ending cash and cash equivalents of \$560,852 which represents unrestricted and restricted amounts of \$522,843 and \$38,009, 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 are 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 cumulated 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, 2014, employees of the Village have accumulated \$5,567 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 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.
- d. Unrestricted net position - Consists of all other net position that does not meet the definition of a, b, or c above.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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.

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 sales (0.3%) and use tax levied by the Village are dedicated to and used for the upkeep, maintenance and improvement of the Elizabeth fire departments.

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.

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.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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 May 5, 2015, the date the financial statements were issued.

19. Use of restricted resources

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.

NOTE B - PROPERTY TAXES

For the year ended June 30, 2014 taxes of 6.58 mills were levied on property with assessed valuations totaling \$1,411,500 and were dedicated as follows:

General corporate purposes	6.58 mills with no expiration
----------------------------	-------------------------------

Total taxes levied were \$9,288.

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.

NOTE C - RECEIVABLES

Receivables at June 30, 2014, consisted of the following:

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

General Fund:	
Sales tax receivable	\$ 9,390
Franchise taxes receivable	4,547
Due from other governments	<u>3,284</u>
Total governmental accounts receivable	17,221
Utility system enterprise fund:	
Accounts receivable - customers	<u>268,450</u>
Total	<u>\$ 285,671</u>

Note D – CAPITAL ASSETS

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Other capital assets:				
Vehicles	95,462	8,470	-	103,932
Buildings	528,724	-	-	528,724
Equipment	<u>157,026</u>	<u>6,576</u>	-	<u>163,602</u>
Totals	<u>891,212</u>	<u>15,046</u>	-	<u>906,258</u>
Less accumulated depreciation:				
Vehicles	57,276	10,816	-	68,092
Buildings	270,724	13,086	-	283,810
Equipment	<u>154,366</u>	<u>1,261</u>	-	<u>155,627</u>
Total accumulated depreciation	<u>482,366</u>	<u>25,163</u>	-	<u>507,529</u>
Governmental Activities				
Capital assets, net	<u>\$ 408,846</u>	<u>\$ (10,117)</u>	<u>\$ -</u>	<u>\$ 398,729</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 18,275	\$ 15,000	\$ -	\$ 33,275
Other capital assets:				
Gas system	1,766,902	57,264	-	1,824,166
Water system	820,416	2,091	-	822,507
Electricity system	198,993	-	-	198,993
Sewer system	<u>556,089</u>	<u>15,750</u>	-	<u>571,839</u>
Totals	<u>3,360,675</u>	<u>90,105</u>	-	<u>3,450,780</u>
Less accumulated depreciation:				
Gas system	344,929	68,830	-	413,759
Water system	501,299	35,417	-	536,716
Electricity system	168,804	3,859	-	172,663
Sewer system	<u>414,481</u>	<u>11,210</u>	-	<u>425,691</u>
Total accumulated depreciation	<u>1,429,513</u>	<u>119,316</u>	-	<u>1,548,829</u>
Business-Type Activities,				
Capital assets, net	<u>\$ 1,931,162</u>	<u>\$ (29,211)</u>	<u>\$ -</u>	<u>\$ 1,901,951</u>

Depreciation expense for the year ended June 30, 2014 was \$25,163 and \$119,316 for the governmental activities and the business-type activities, respectively.

Depreciation expense was charged to governmental activities as follows:

General government	\$ 13,313
Public safety	11,424
Public works	<u>426</u>
Total depreciation expense	<u>\$ 25,163</u>

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

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Gas	\$ 68,830
Water	35,417
Electricity	3,859
Sewer	<u>11,210</u>
Total depreciation expense	<u>\$ 119,316</u>

NOTE E - ACCOUNTS PAYABLES

The following is a summary of payables at June 30, 2014:

<u>Class of Payable:</u>	<u>Governmental Activities Funds</u>	<u>Business Activities Funds</u>
Accounts	<u>\$ 5,303</u>	<u>\$ 221,700</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, 2014:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Gas revenue bonds	\$ 372,000	\$ -	\$ (28,000)	\$ 344,000
USDA gas revenue bonds	<u>536,435</u>	<u>-</u>	<u>(16,833)</u>	<u>519,602</u>
	<u>\$ 908,435</u>	<u>\$ -</u>	<u>\$ (44,833)</u>	<u>\$ 863,602</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.

\$ 344,000

\$677,478 USDA gas revenue bonds dated July 21, 2006, bearing interest at 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.

519,602

Total

\$ 863,602

The annual requirements to amortize all debt outstanding as of June 30, 2014, including interest payments of \$362,156 are as follows:

<u>Year Ending June 30,</u>	<u>Enterprise Activities</u>		
	<u>Totals</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Totals</u>
2015	\$ 45,570	\$ 39,933	\$ 85,503
2016	46,338	37,764	84,102
2017	51,141	35,561	86,702
2018	51,978	33,124	85,102

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

2019	52,852	30,650	83,502
2020-2024	310,769	112,142	422,911
2025-2029	147,124	54,386	201,510
2030-2032	<u>157,830</u>	<u>18,596</u>	<u>176,426</u>
Totals	<u>\$ 863,602</u>	<u>\$ 362,156</u>	<u>\$1,225,758</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, 2014 the statutory limit is \$494,025.

NOTE G – RESTRICTED ASSETS

Restricted assets, at June 30, 2014, consisted of the following:

	<u>Cash and Cash Equivalents</u>		
Customers' deposit accounts	\$ 38,009		
Sewer plant replacement accounts	-		
	<u>\$ 38,009</u>		
		<u>Actual</u>	<u>Required</u>
Requirements consisted of the following at June 30, 2014:			<u>Over (Under)</u>
Sewer revenue bond reserve account	\$ -	\$ 18,093	\$ (18,093)
Sewer revenue bond depreciation and contingency account	-	25,794	(25,794)
Customer deposits – gas, water, and sewer	<u>38,009</u>	<u>12,010</u>	<u>25,999</u>
Total restricted assets - proprietary funds	<u>\$ 38,009</u>	<u>\$ 55,897</u>	<u>\$ (17,888)</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.

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 - PRIOR PERIOD ADJUSTMENT

General fund – Fund financial statements (FFS):

The general fund reported the following prior period adjustment – The Village underreported cash and investments by \$20,064. This amount was the amount in a QuickBooks data file maintained for payroll purposes that was not consolidated into the general fund for reporting purposes.

VILLAGE OF ELIZABETH, LOUISIANA
Notes to the Basic Financial Statements
Year Ended June 30, 2014

<u>Account</u>	<u>As Originally Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Cash and investments-FFS	\$ 276,181	\$ 20,064	\$ 296,245
Total – FFS	<u>\$ 276,181</u>	<u>\$ 20,064</u>	<u>\$ 296,245</u>

Governmental activities on the government-wide financial statements (GWFS):

On the government-wide financial statements the same prior period adjustment was reported as noted in the fund financial statements as explained above.

<u>Account</u>	<u>As Originally Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Cash and investments-GWFS	\$ 276,181	\$ 20,064	\$ 296,245
Total – GWFS	<u>\$ 276,181</u>	<u>\$ 20,064</u>	<u>\$ 296,245</u>

NOTE K - RELATED PARTY TRANSACTIONS

The former Mayor and the gas superintendent received a total of \$2,950 and \$38,210 as a commission based on the collection of a significant utility energy cooperative distribution during the fiscal year. These commissions have been deemed inappropriate by management and restitution has been sought and received. These amounts were collected in their entirety from the respective recipients subsequent to the current fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ELIZABETH, LOUISIANA
 General Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2014

	2014		
	Budget	Actual	Variance
	Original/Final		Favorable (Unfavorable)
REVENUES			
Taxes:			
Ad valorem	\$ 11,500	\$ 10,189	\$ (1,311)
Public utility franchise	11,500	10,003	(1,497)
Sales	<u>90,507</u>	<u>70,815</u>	<u>(19,692)</u>
Total taxes	<u>113,507</u>	<u>91,007</u>	<u>(22,500)</u>
Licenses and permits	<u>23,000</u>	<u>23,578</u>	<u>578</u>
Fines and forfeitures	<u>13,550</u>	<u>6,570</u>	<u>(6,980)</u>
Intergovernmental:			
State of Louisiana -			
State grant	17,000	12,500	(4,500)
Street maintenance	6,000	4,940	(1,060)
Local grant	<u>3,000</u>	<u>2,925</u>	<u>(75)</u>
Total intergovernmental	<u>26,000</u>	<u>20,365</u>	<u>(5,635)</u>
Miscellaneous:			
Interest	10	74	64
Rental income	52,750	56,354	3,604
Miscellaneous	<u>15,465</u>	<u>20,347</u>	<u>4,882</u>
Total miscellaneous	<u>68,225</u>	<u>76,775</u>	<u>8,550</u>
Total revenues	<u>244,282</u>	<u>218,295</u>	<u>(25,987)</u>
EXPENDITURES			
General government:			
Advertising	2,500	1,864	636
Dues and subscriptions	650	547	103
Insurance	35,000	18,043	16,957
Materials and supplies	25,000	26,869	(1,869)
Miscellaneous	15,500	5,236	10,264
Office and operating supplies	4,400	5,661	(1,261)
Professional services	9,000	11,380	(2,380)
Repairs and maintenance	3,000	3,628	(628)
Salaries and payroll taxes	183,000	129,402	53,598
Service	31,000	25,495	5,505
Telephone	5,500	5,161	339
Town attorney	2,900	2,400	500
Travel and meetings	15,700	22,779	(7,079)
Utilities	2,500	32,288	(29,788)
Subtotal	335,650	290,753	44,897
Capital outlays	<u>15,100</u>	<u>3,170</u>	<u>11,930</u>
Total general government	<u>350,750</u>	<u>293,923</u>	<u>56,827</u>

VILLAGE OF ELIZABETH, LOUISIANA
 General Fund - Continued
 Budgetary Comparison Schedule
 Year Ended June 30, 2014

	2014		
	Budget	Actual	Variance
	Original/Final		Favorable (Unfavorable)
Public Safety -			
Dues and subscriptions	120	250	(130)
Euthanasia	450	-	450
Insurance	8,500	3,490	5,010
Materials and supplies	13,500	6,279	7,221
Miscellaneous	650	2,411	(1,761)
Office and operating supplies	-	149	(149)
Repairs and maintenance	1,500	70	1,430
Salaries and payroll taxes	27,200	11,834	15,366
Service	4,300	2,209	2,091
Stipends	4,000	6,266	(2,266)
Telephone	1,400	1,434	(34)
Training	450	95	355
Travel and meetings	4,750	4,389	361
Utilities	250	3,660	(3,410)
Uniform expense	250	-	250
Subtotal	<u>67,320</u>	<u>42,536</u>	<u>24,784</u>
Capital outlays	-	<u>11,876</u>	<u>(11,876)</u>
Total public safety	<u>67,320</u>	<u>54,412</u>	<u>12,908</u>
Public Works -			
Insurance	1,000	4,450	(3,450)
Repairs and maintenance	-	2,277	(2,277)
Salaries and payroll taxes	6,000	-	6,000
Service	-	1,000	(1,000)
Total public works	<u>7,000</u>	<u>7,727</u>	<u>(727)</u>
Total expenditures	<u>\$ 425,070</u>	<u>\$ 356,062</u>	<u>\$ 69,008</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF ELIZABETH, LOUISIANA
Schedule of Compensation Paid to Mayor and Council Members
(Unaudited)
Year Ended June 30, 2014

Robert Crafton - Mayor	\$ 22,724
Wayne Earl	1,200
Shirley Smith	1,200
Dave Smith	1,200
Lydia Kingan	1,200
Charles Saunders	<u>1,200</u>
Total Compensation Paid to Mayor and Council Members	<u>\$ 28,724</u>

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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

May 5, 2015

Honorable Wayne Earl, Mayor
and the Village Council
Village of Elizabeth, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Elizabeth, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Elizabeth, Louisiana's basic financial statements and have issued our report thereon dated May 5, 2015.

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 over financial reporting 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. However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control, described in the accompanying schedule of findings and responses as Items 2014-1 I/C & C and 2014-6 I/C & C that we consider to be a significant deficiencies.

Honorable Wayne Earl, Mayor
and the Village Council
Village of Elizabeth, Louisiana
May 5, 2015
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 Standard* and which are described in the accompanying schedule of findings and responses as Items 2014-1 I/C & C, 2014-2 C, 2014-3 C, 2014-4 C, 2014-5 C, 2014-6 I/C & C, and 2014-7 C.

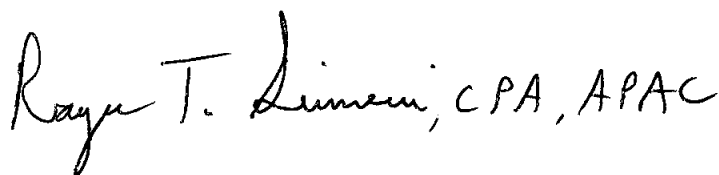
Village of Elizabeth, Louisiana's Response to Findings

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, 2014

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 #2014-1 I/C & C:

Article 7, Section 14 of the 1974 Louisiana Constitution

Condition: The Village made distributions from its funds in excess of \$117,000 to two outside parties assisting with the gas system, one senior level employee, and one elected official that may not have complied with Article 7, Section 14 of the 1974 Louisiana Constitution. The distributions were based on a percentage of a distribution received from a utility cooperative known as the Public Energy Authority of Kentucky. There was no legal obligation to make the payments. Four of the five council members approved the distributions. A one-time overtime wage payment was made to a salaried employee. Employee compensated absences don't appear to be accurately tracked. Several employees were paid for their vacation time rather than being required to take the time off of work. Also, donations were made to various charitable and other organizations that may also not be in compliance aforementioned law. Mileage reimbursements were made at \$.51 per mile and the same vehicle was being leased for \$210 per month from an elected official. The former Mayor was receiving pay in excess of the most recently provided ordinance covering his pay. The Legislative Auditor and the District Attorney have been notified and the Louisiana Legislative Auditor is currently investigating the Village. The investigation is not complete at the date of the audit report. The effect of the investigation on the financial statements is not known.

Criteria: Controls over vendor payment processing should be monitored to ensure that only legal debts of the Village are satisfied with proper payments. Controls over payroll should be monitored and compared to all requisite authorizations regarding payroll amounts.

Cause: Lack of internal controls and management oversight.

Effect: Possible violations of the Article 7, Section 14 of the 1974 Louisiana Constitution.

Recommendation: Strengthen oversight by Village Clerk with training and monitoring vendor and employment payment processing to insure only legal obligations are paid.

Response: See Corrective Action Plan

Finding #2014-2 C:

Reserve Fund Requirements on Gas Revenue Bond Issue

Condition: As of June 30, 2014, the Village has not been funding the required reserve accounts in accordance with the Gas Revenue Bond Agreement associated with its Gas Revenue Bond Issue.

Criteria: Certain amounts are required under the Gas Revenue Bond Issue to be deposited into certain accounts.

Cause: Management oversight.

Effect: Violation of the bond covenants.

Recommendation: Transfer the necessary amounts into the appropriately designated accounts and maintain such reserve accounts as required by the bond issue.

Response: See Corrective Action Plan

VILLAGE OF ELIZABETH, LOUISIANA
Schedule of Findings and Responses
Year Ended June 30, 2014

Finding #2014-3 C:

Local Governmental Budget Act Compliance

- Criteria: The actual expenditures in the general fund's public works department was in excess of budgeted amounts by more than 5%. Budgeted revenues in the general fund were in excess of actual amounts by more than 5%.
- Cause: Budgets are being prepared with amounts that may not have been annualized.
- Effect: Possible violation of the Louisiana Local Governmental Budget Act.
- Recommendation: Closely monitor departmental budgets and annualize interim expenditures in calculating original and amended budgets.
- Response: See Corrective Action Plan

Finding #2014-4 C:

Public Bid Law Compliance

- Criteria: The Village purchased \$14,250 in aerator equipment that may not have been in compliance with the Public Bid Law. The Village was required under the Public Bid Law to have documentation of 3 phone or facsimile quotes on each of these purchases. No documentation of the fax or phone quotes were 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: Closely monitor departmental acquisition of large purchases by the Village Clerk to ensure that adequate documentation is maintained.
- Response: See Corrective Action Plan

Finding #2014-5 C:

Delinquent Submission of Financial Reports

- Criteria: The Village did not comply with the Louisiana Audit Law, La. R.S. 24:514 regarding the submission of its annual audited financial statements by December 31, 2014.
- Cause: Unexpected legal issues regarding finding 2014-1 I/C & C and auditor illness.
- Effect: Less timely financial information available to users.
- Recommendation: Electronically submit all reports by December 31 following the Village's fiscal year.
- Response: See Corrective Action Plan

VILLAGE OF ELIZABETH, LOUISIANA
Schedule of Findings and Responses
Year Ended June 30, 2014

Finding #2014-6 C:

Prepayment of Payroll Liabilities

Criteria: Town employees are paid bi-weekly for time ending a few days following the paycheck date. The checks are prepared in advance and issued before the pay period ends. Hours worked on interim days are estimated and included in the paychecks. Any differences between actual hours worked and paycheck amounts are added to or subtracted from the employees subsequent bi-weekly paycheck.

Cause: Lack of administrative oversight.

Effect: Possible Violation of Article VII, Section 14 of the Louisiana Constitution.

Recommendation: The Village should change the pay policy to provide payroll employees enough time to summarize time records and pay employees after the payroll period has ended.

Response: See Corrective Action Plan

Finding #2014-7 I/C:

Inadequate Segregation of Duties

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, 2014

Finding #2014-1 I/C & C:

Article 7, Section 14 of the 1974 Louisiana Constitution

The Mayor at the time of the possible infractions has resigned and all questionable payments have all been repaid to the Village. Tighter internal controls and oversight over the vendor payment and payroll processing have been initiated by the Village Clerk.

Finding #2014-2 C:

Reserve Fund Requirements on Gas Revenue Bond Issue

The Village will set up the required bank accounts, make the required monetary transfers and maintain the bank accounts with the required reserve levels in the future.

Finding #2014-3 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.

Finding #2014-4 C:

Public Bid Law Compliance

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

Finding #2014-5 C:

Delinquent Submission of Financial Reports

Future reports will be submitted timely.

Finding #2014-6 I/C & C:

Prepayment of Payroll Liabilities

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

Finding #2014-7 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, 2014

2013-1 I/C: Inadequate Segregation of Duties

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

2012-2 I/C: Lack of Staff with GAAP Training

Corrective Action Taken: The Village Clerk has received adequate training to supervise this function.

2013-3 C: Delinquent Submission of Reports

Corrective Action Taken: Future reports will be submitted timely.