

VILLAGE OF GRAND CANE, LOUISIANA

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JAN 18 2012**

VILLAGE OF GRAND CANE, LOUISIANA

FINANCIAL REPORT

As of and for the Year Ended June 30, 2011

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VILLAGE OF GRAND CANE, LOUISIANA

FINANCIAL REPORT

As of and for the Year Ended June 30, 2011

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

The Honorable Marsha Richardson, Mayor
And the Members of the Board of Aldermen
Village of Grand Cane, Louisiana

I have audited the accompanying financial statements of the governmental activities, the major governmental funds, and business-type activities of the Village of Grand Cane, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Grand Cane's, management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the major governmental funds, and business-type activities of the Village of Grand Cane, Louisiana, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 14, 2011, on my consideration of the Village of Grand Cane, Louisiana's, internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 and the required supplementary information on page 37 through 39 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

context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

Delviah D. Allen, CPA

Mansfield, Louisiana
December 14, 2011

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

VILLAGE OF GRAND CANE, LOUISIANA
Management's Discussion and Analysis

June 30, 2011

As management of the Village of Grand Cane, Louisiana, we offer the readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village of Grand Cane as of and for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Village's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

Financial Highlights

The Village experienced an increase in its net assets by 25.36% (\$289,524) during the fiscal year ended June 30, 2011, compared to an increase of \$492,520 (74.85%) the prior year. At June 30, 2011, the assets of the Village exceeded its liabilities by \$1,431,188 compared to prior year's ending net assets of \$1,141,664.

Unrestricted net assets of \$823,515 (57.68% of total net assets) represent the amount available to be used to meet the Village's ongoing obligations to its citizens. The Village no longer has restricted net assets as they did in the prior year due to the payoff of sewer fund debt.

As of the close of the fiscal year, the Village's governmental funds reported a decrease in ending fund balance of \$25,699 (4%) to \$701,774 from the \$727,473 fund balance for the prior year.

During this fiscal year, the Village received the following:

- \$150,000 from the DeSoto Parish Police Jury
- \$25,000 from Cleco as an incentive for early renewal of their franchise
- \$122,724 increase in sales tax revenue.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Village of Grand Cane's basic financial statements. The Village's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two kinds of financial statements that present different views of the Village—the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail. This report also contains additional required supplementary information—a budgetary schedule—in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Grand Cane's finances in a manner similar to a private-sector business. The government-wide financial statements include two statements:

The *statement of net assets* presents information on all of the Village of Grand Cane's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Grand Cane is improving or deteriorating.

The *statement of activities* presents information showing how the Village of Grand Cane's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the financial statements above have separate sections for the two different types of Village activities. These activities are:

Governmental Activities--The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). The services that fall into that category for the Village are general government, streets and right-of-ways, and cultural and recreation.

Business-type Activities--These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the Village consists of the provision of sewer services.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Grand Cane, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Village government, reporting operations in more detail than the government-wide statements. The funds of the Village are divided into two categories. The two categories of funds are:

Governmental fund financial statements. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Village of Grand Cane has two governmental funds: the General Fund and the Special Revenue Fund. Both are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Proprietary fund financial statements. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Village has one proprietary fund, the Sewer Fund, which is considered a major proprietary fund for presentation purposes.

The basic proprietary fund financial statements can be found immediately following the governmental funds financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Village of Grand Cane adopts an annual budget for the general and special revenue funds. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

Government-wide Activities Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Village's combined net assets (governmental and business-type activities) totaled \$1,431,188 and \$1,141,664 as of June 30, 2011 and 2010 respectively, an increase of \$289,524 (25.36%).

The portion of the Village's net assets \$605,673 (42%) is its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. This is compared to \$302,513 (27%) as of June 30, 2010. The Village uses these capital assets to provide services to the citizens of the Village; consequently, these assets are not available for future spending.

The Village's unrestricted net assets, \$825,515 (57.68%) and \$823,422 (72.12%) as of June 30, 2011 and 2010, respectively, may be used to meet the Village's ongoing obligations to citizens and creditors at the discretion of the mayor and aldermen. \$799,116 (96.45%) of the unrestricted net assets of the Village consists of cash, demand deposits, and certificates of deposit compared to \$797,625 (96.87%) for the prior year.

The following table provides a summary of the Village's net assets:

ASSETS	June 30, 2011	June 30, 2010
Cash and cash equivalents	\$ 799,116	\$ 797,625
Receivables	33,249	21,756
Restricted	8,550	28,277
Other assets	80	3,221
Capital assets	605,673	532,121
TOTAL ASSETS	1,446,668	1,383,000
LIABILITIES		
Accounts payable	6,930	3,128
Payable from restricted assets	8,550	8,600
Long-term bonds payable	-	229,608
TOTAL LIABILITIES	15,480	241,336
NET ASSETS		
Invested in capital assets, net of related debt	605,673	302,513
Restricted for debt service	-	15,729
Unrestricted	825,515	823,422
TOTAL NET ASSETS	\$ 1,431,188	\$ 1,141,664

Changes in net assets

The Village's net assets increased by \$289,524 (25.36%) during the year ended June 30, 2011, compared to an increase of \$492,520 (74.85%) in 2010. This change is due primarily to a decrease in other general revenues--which included the oil & gas lease bonus for the Village's mineral rights of \$392,677 received during year ended June 30, 2010. However, sales tax revenue increased \$122,724. Program revenues increased by \$117,552 due to a local grant from the DeSoto Parish Police Jury for \$150,000.

\$46,430 (8.83%) of the Village's total revenues was derived through charges for services during 2011 compared to \$37,074 (5.61%) for the prior year. Capital grants and contributions of \$150,000 during 2011 represented (28.52%) of total revenue compared to \$41,804 (6.32%) during 2010.

\$329,429 (62.65%) of total revenue was derived from general revenues including ad valorem taxes, sales taxes, franchise taxes, occupational license, rent, and interest compared to \$582,483 (88.07%) during 2010.

The net effect is a decrease in revenue of \$135,502 or 20.49%.

The expenses were up \$67,494 or 39.97%. The largest expenses were: sewer operations, \$52,217 (22.38%); general government, \$56,563 (24.24%); and streets and right-of-ways, \$107,061 (45.89%).

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

	<u>For year end June 30, 2011</u>	<u>For year end June 30, 2010</u>
Revenue		
Program revenues:		
Charges for services	\$ 46,430	\$ 37,074
Capital grants and contributions	150,000	41,804
General revenues:		
Taxes	275,947	153,277
Licenses	27,684	23,551
Other general revenues	25,163	403,872
Interest	635	1,783
Total revenues	<u>525,859</u>	<u>661,361</u>
Expenses		
General government	56,563	49,825
Street and right of ways	107,061	47,762
Culture and recreation	16,295	8,833
Sewer	52,217	52,179
Interest/amortization	4,199	10,242
Total expenses	<u>236,335</u>	<u>168,841</u>
 Increase (decrease) in net assets	 289,524	 492,520
 Net assets June 30, 2010	 1,141,664	 652,944
Restatement of net assets	-	(3,800)
Net assets June 30, 2011	<u>\$ 1,431,188</u>	<u>\$ 1,141,664</u>

Governmental Funds Financial Analysis

As noted earlier, the Village of Grand Cane uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2011, the General Fund's unassigned fund balance of \$377,598 shows a decrease of \$170,280 (31%) in comparison with June 30, 2010. Sales tax is collected in the Village for upkeep and maintenance of streets. Sales tax revenue increased \$122,724 from 2010. Thus the amount committed to streets increased from \$165,085 at year ended June 30, 2010, to \$298,906 at year ended June 30, 2011.

General Fund Budgetary Highlights

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Village complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA - R.S. 39:1301 et seq.). The Village amended the original budget primarily to accommodate for an increase in sales tax revenue and grant money received. The Village was out of compliance with the Budget Act due to revenues

being less than 5% under what was budgeted. Actual revenues were 37% lower than the budgeted amount.

Capital Asset and Debt Administration

Capital assets The Village of Grand Cane's investment in capital assets for its governmental activities as of June 30, 2011, totaled \$605,673 (net of accumulated depreciation of \$210,266). This investment includes land, buildings, furniture, equipment and infrastructure. The net increase in capital assets for the year was \$123,156. This was for the purchase of a finishing mower (\$2,500), street lights (\$7,332), and improvements to the Hicks Richardson Building (\$46,023), Annex (\$7,100), and Back Alley Theater (\$60,201).

Long-term debt The Village of Grand Cane had \$229,608 in outstanding debt due for a revenue bond secured by the revenues of the sewer system at June 30, 2010. This outstanding debt was paid in full during the year ended June 30, 2011.

Economic Factors and Next Year's Budget

For the fiscal year ending June 30, 2011, the following factors were considered when the budget was prepared:

- General revenues and sewer fees collected will remain consistent with the prior year.
- The Village does not expect to receive significant grant monies
- Other expenditures are expected to remain steady with the prior year.

Requests for Information

This financial report is designed to provide a general overview of the Village of Grand Cane's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Grand Cane, P. O. Box 82, Grand Cane, LA 71032.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF GRAND CANE, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 679,624	\$ 119,492	\$ 799,116
Receivables	28,261	4,988	33,249
Internal balances	(621)	621	-
Restricted cash and cash equivalents	-	8,550	8,550
Other assets	80	-	80
Capital assets (net)	<u>347,919</u>	<u>257,754</u>	<u>605,673</u>
TOTAL ASSETS	\$ 1,055,263	\$ 391,405	\$ 1,446,668
LIABILITIES			
Accounts, payroll, and other payables	\$ 5,570	\$ 1,360	\$ 6,930
Payable from restricted assets	-	8,550	8,550
TOTAL LIABILITIES	\$ 5,570	\$ 9,910	\$ 15,480
NET ASSETS			
Invested in capital assets, net of related debt	\$ 347,919	\$ 257,754	\$ 605,673
Unrestricted	<u>701,774</u>	<u>123,741</u>	<u>825,515</u>
TOTAL NET ASSETS	\$ 1,049,693	\$ 381,495	\$ 1,431,188

The accompanying notes are an integral part of the financial statements.
See the independent auditor's report

VILLAGE OF GRAND CANE, LOUISIANA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

	Program Revenues			Net (Expenses) Revenue	Net (Expenses), Revenues, and Changes		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-Type Activities	
Governmental Activities							
General government	\$ 56,563	\$ -	\$ 150,000	\$ 93,437	\$ 93,437	-	\$ 93,437
Public works:							
Streets and right of ways	107,061	-	-	(107,061)	(107,061)	-	(107,061)
Culture and recreation	16,295	-	-	(5,009)	(5,009)	-	(5,009)
Total Governmental Activities	179,919	-	150,000	(18,633)	(18,633)	-	(18,633)
Business-Type Activities							
Sewer	52,217	35,144	-	(17,073)	-	(17,073)	(17,073)
Interest/amortization expense	4,199	-	-	(4,199)	-	(4,199)	(4,199)
Total Business-type Activities	56,416	35,144	-	(21,272)	-	(21,272)	(21,272)
Total Primary Government	\$ 236,335	\$ 46,430	\$ 150,000	\$ (39,905)	(18,633)	(21,272)	(39,905)
General Revenues:							
Ad valorem taxes					16,774	5,201	21,975
Sales tax					240,643	-	240,643
Franchise taxes					13,329	-	13,329
Occupational licenses					27,684	-	27,684
Investment earnings					621	14	635
Other general revenues					25,163	-	25,163
Transfers					(229,506)	229,506	-
Total general revenues and transfers					94,708	234,721	329,429
Change in Net Assets					76,075	213,449	289,524
Net assets--beginning					973,618	168,046	1,141,664
Net assets--ending					\$ 1,049,693	\$ 381,495	\$ 1,431,188

The accompanying notes are an integral part of the financial statements.
See the independent auditor's report.

FUND FINANCIAL STATEMENTS

VILLAGE OF GRAND CANE, LOUISIANA

BALANCE SHEET, GOVERNMENTAL FUNDS
June 30, 2011

	Major Funds		Total
	General Fund	Special Revenue Fund	
ASSETS			
Cash and cash equivalents	\$ 657,367	\$ 22,257	\$ 679,624
Receivables	26,602	1,659	28,261
Due to other funds	-	1,274	1,274
Prepaid insurance	80	-	80
TOTAL ASSETS	\$ 684,049	\$ 25,190	\$ 709,239
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts, salaries, and other payables	\$ 5,570	\$ -	\$ 5,570
Due from other funds	1,895	-	1,895
Total Liabilities	7,465	-	7,465
Fund balances:			
Nonspendable			
Prepaid insurance	80	-	80
Committed			
Streets	298,908	-	298,908
Assigned			
Sewer or Streets	-	25,190	25,190
Unassigned, reported in:			
General Fund	377,598	-	377,598
Total Fund Balances	676,584	25,190	701,774
TOTAL LIABILITIES AND FUND BALANCES	\$ 684,049	\$ 25,190	\$ 709,239

VILLAGE OF GRAND CANE, LOUISIANA**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2011**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds, Statement C	\$	701,774
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the government funds		<u>347,919</u>
Net Assets of Governmental Activities, Statement A	\$	<u>1,049,693</u>

VILLAGE OF GRAND CANE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
Revenues:			
Taxes:			
Ad valorem taxes	\$ 6,110	\$ 10,664	\$ 16,774
Sales taxes	240,643	-	240,643
Franchise taxes	13,329	-	13,329
Local grants	150,000	-	150,000
Licenses and permits	27,684	-	27,684
Charges for services	11,286	-	11,286
Interest	605	16	621
Other	25,163	-	25,163
Total Revenues	<u>474,820</u>	<u>10,680</u>	<u>485,500</u>
Expenditures:			
Current:			
General government	54,445	-	54,445
Public works:			
Streets and right of ways	96,990	-	96,990
Culture and recreation	7,102	-	7,102
Capital outlays	123,156	-	123,156
Total Expenditures	<u>281,693</u>	<u>-</u>	<u>281,693</u>
Excess (Deficiency) of Revenues over Expenditures	<u>193,127</u>	<u>10,680</u>	<u>203,807</u>
Other Financing Sources (Uses)			
Operating transfers out	(229,506)	-	(229,506)
Total Other Financing Sources (Uses)	<u>(229,506)</u>	<u>-</u>	<u>(229,506)</u>
Net change in Fund Balances	<u>(36,379)</u>	<u>10,680</u>	<u>(25,699)</u>
Fund balances, beginning of year	712,963	14,510	727,473
Fund balances, end of year	<u>\$ 676,584</u>	<u>\$ 25,190</u>	<u>\$ 701,774</u>

VILLAGE OF GRAND CANE, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds, Statement E	\$ (25,699)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$123,156) exceeded the depreciation (\$21,382) in the current period.	<u>101,774</u>
Change in Net Assets of Governmental Activities, Statement B	<u>\$ 76,075</u>

PROPRIETARY FUND

VILLAGE OF GRAND CANE, LOUISIANA
STATEMENT OF NET ASSETS, PROPRIETARY FUND
 June 30, 201

	<u>Business-Type Activity –Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 119,492
Receivables	4,988
Due from other funds	621
Total current assets	<u>125,101</u>
Restricted Assets:	
Restricted cash and cash equivalents	8,550
Total Restricted Assets	<u>8,550</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	257,754
Total non-current assets	<u>257,754</u>
TOTAL ASSETS	\$ 391,405
LIABILITIES	
Current liabilities:	
Accounts, salaries, and other payables	\$ 1,360
Total current liabilities	<u>1,360</u>
Payable from restricted assets:	
Meter deposits	8,550
TOTAL LIABILITIES	<u>9,910</u>
NET ASSETS	
Invested in capital assets, net of related debt	257,754
Unrestricted	<u>123,741</u>
TOTAL NET ASSETS	\$ 381,495

VILLAGE OF GRAND CANE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	Sewer Fund
Operating Revenues	
Charges for services:	
Sewer service fees	\$ 35,144
Total Operating Revenues	35,144
 Operating Expenses	
Cost of sales and services	20,257
Administration	3,739
Depreciation	28,221
Total Operating Expenses	52,218
 Operating Income	(17,073)
 Nonoperating Revenues (Expenses)	
Ad valorem taxes	5,201
Interest earnings	14
Interest expense	(1,058)
Amortization of bond discount	(3,141)
Total Nonoperating Revenues (Expenses)	1,016
 Income before transfers	(16,057)
 Operating transfers in	229,506
 Change in Net Assets	213,449
 Total net assets, beginning of year	168,046
Total net assets, end of year	\$ 381,495

The accompanying notes are an integral part of the financial statements.
See the independent auditor's report.

VILLAGE OF GRAND CANE, LOUISIANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - Sewer Fund
For the Year Ended June 30, 2011

	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 35,404
Cash payments to suppliers for goods and services	(15,471)
Cash payments to employees for services	(7,805)
Net cash provided by operating activities	<u>12,128</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes collected	5,159
Net transfers (to) from other funds	229,470
Net cash provided by non capital financing activities	<u>234,629</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on revenue bonds	(229,608)
Interest payments	(1,058)
Net cash used by capital and related financing activities	<u>(230,666)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	14
Net cash provided by investing activities	<u>14</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,105
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	111,937
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 128,042</u>
Reconciliation of total cash and cash equivalents:	
Current Assets - Cash and cash equivalents	\$ 119,492
Restricted cash and cash equivalents	8,550
	<u>\$ 128,042</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income before operating transfers	\$ (17,073)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	28,221
(Increase) decrease in accounts receivable	309
Increase (decrease) in accounts payable	721
Increase (decrease) in customer deposits	(50)
Total adjustments	<u>29,201</u>
Net cash (used)/provided by operating activities	<u>\$ 12,128</u>

The accompanying notes are an integral part of the financial statements.
See the independent auditor's report.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

INTRODUCTION

The Village of Grand Cane, Louisiana, was incorporated under the provisions of the Lawrason Act in 1939. The Village is governed by the mayor, board-of-aldermen form of government. The mayor and three aldermen are elected and serve four-year terms that expire on December 31, 2014. The Village has one sewer/street employee and a part time clerk. The Village has a population of 191 (2000 Census) and is located in northwest Louisiana in DeSoto Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village of Grand Cane's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

B. Reporting Entity

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. This report includes all funds that are controlled by or dependent on the Village's Executive and Legislative Branches (The Mayor and Board of Aldermen).

The primary government (Village of Grand Cane) is required to consider 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. There were no entities that were determined to be component units of the Village of Grand Cane.

C. Fund Accounting

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.

Government funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

Proprietary funds are used to account for ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows.

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and 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.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. Individual funds are not displayed. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

A fund is considered major if it is the primary operating fund of the Village, or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds, or management believes that the fund is particularly important to the financial statement users.

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

The municipality reports the following major governmental funds:

- The *General Fund* is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Special Revenue Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Fund Financial Statements

The financial statements of the proprietary fund are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or non-current) associated with their activities are reported.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund is sewer operating fees. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule is charges between the government's proprietary operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

E. Budgets

The Mayor and Village Clerk prepare a proposed budget and submit the same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the board of aldermen and made available to the public. At least ten days after publication of the call for a public hearing, the Village holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Board of Aldermen as whole. The budget is then adopted through the passage of an ordinance during the June meeting.

During the year, the Board of Aldermen receives monthly budget comparison statements, which are used as tools to control the operations of the Village. The Village Clerk presents necessary budget amendments to the board when she determines that actual operations are differing materially from those anticipated in the original budget. The board in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The budget was amended once during the year. The Mayor and Board of Aldermen must approve all changes in the budget. The Village does not use encumbrance accounting in its accounting system.

The budget comparison schedule included in the accompanying financial statements present the original adopted budget and the final amended budget.

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits. Under state law the Village may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Village may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state bank organized under Louisiana law and national banks having principal offices in Louisiana. These are classified as investments if their original maturities exceed 182 days. All investments are recorded at fair value based on quoted market prices.

G. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid expenses.

H. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. The receivables for the governmental activities include ad valorem taxes and sales tax. Business-type activities report customer's sewer service charges as its major receivable. All trade and property tax receivables are shown net of an allowance for uncollectibles.

I. Levied Taxes

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

Taxes due for:	Authorized Millage	Levied Millage	Expiration Date
General	6.00	5.65	Indefinite
Sewer system	5.00	4.81	2017
Sewer/ Streets	5.00	4.68	2016
Sewer/ Streets	5.40	5.18	2017

The difference between authorized and levied millages is the result of reassessments of taxable property within the parish as required by Louisiana Constitution Article VII, Section 18(F). This revaluation of all property is required to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2008. Total assessed value was \$1,081,525 for fiscal year ended June 30, 2011.

The Village bills and collects its own property taxes, using the assessed values determined by the tax assessor of DeSoto Parish. Revenues from ad valorem taxes are budgeted in the year billed.

A one percent sales and use tax was levied in the Village beginning January, 1997 and has no expiration. The tax is to be used for constructing, improving and maintaining public roads, streets and bridges in the Village.

J. Restricted Cash and Cash Equivalents

Restricted assets in the business type activity—sewer fund consist of cash required to be set aside per bond covenants and sewer customer meter deposits. Below is a reconciliation of restricted cash:

Meter Deposits	\$ <u>Sewer Fund</u>
	<u>8,550</u>

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost. There are no assets valued at estimated cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	15-20 years
Buildings and building improvements	40 years
Furniture and fixtures	7 years
Equipment	7 years

L. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity

NET ASSETS

In the government-wide financial statements, fund equity (the difference between assets and liabilities) is classified as net assets and reported in three components:

- 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.
- Restricted net assets* – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets* – Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

FUND BALANCES

Beginning with fiscal year ending June 30, 2011, the Village implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- a. *Nonspendable* – Amounts that are not in spendable form (such as prepaid expenses) because they are legally or contractually required to be maintained intact.
- b. *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors of higher levels of government).
- c. *Committed* – Amounts constrained by the Village itself. To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the action to remove or change the constraint.
- d. *Assigned* – Amounts the Village intends to use for a specific purpose.
- e. *Unassigned* – All amounts not included in other spendable.

Beginning fund balances for the Village's governmental funds have been restated to reflect the above classifications.

The Village would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to deter the use of these other classified funds.

N. Interfund Transactions and Balances

Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are property applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and due from other funds." These receivables and payables are classified as internal balances on the statement of net assets and as due from/to other funds in the fund financial statements.

O. Estimates

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

P. 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; and injuries to employees. To handle such risk of loss the Village maintains commercial insurance policies and surety bond coverage. There have been no claims filed in the last three years.

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2011

2. CASH AND CASH EQUIVALENTS

At June 30, 2011, the Village has cash and cash equivalents (book balances) in deposits totaling \$807,666, with \$276,804 in demand deposits, \$408,952 in interest-bearing demand deposits, \$121,810 in certificates of deposit, and \$100 in cash. These deposits are stated at cost, which approximates market.

The cash and cash equivalents of the Village of Grand Cane are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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 or exceed 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities with 10 days of being notified by the Village that the fiscal agent bank has failed to pay deposited funds upon demand. Further Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Village's name.

At June 30, 2011, the Village has collected bank balances of deposits totaling \$835,585. These deposits are secured from risk by \$250,000 of federal deposit insurance. The remaining balance is secured by pledged securities held by the custodial bank in the name of the Village (GASB Category 2) with a market value of \$657,132.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Village does not have a formal investment policy, however, as a means of offsetting exposure to interest rate risk the Village's certificates of deposit have maturities of one year or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of an investment. The Village's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Village may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Village may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state bank organized under Louisiana law and national banks having principal offices in Louisiana.

3. LEVIED TAXES

Total ad valorem taxes levied were \$21,977 and ad valorem taxes receivable at June 30, 2011, are \$3,501. The following are the principal taxpayers for the Village and their 2010 assessed valuation:

TAXPAYER	ASSESSED VALUATION	% OF TOTAL ASSESSED VALUATION	AD VALOREM TAX REVENUE FOR VILLAGE
Cleco Power LLC	\$ 172,000	15.90%	\$ 3,495
Capital One	130,930	12.11%	2,661
Franklin Properties	31,000	2.87%	630
Cook, Wm. H.	27,698	2.56%	563
Atmos Energy Louisiana	27,316	2.53%	555
Total	\$ 388,944	35.96%	\$ 7,903

Sales tax collections for the year ended June 30, 2011 were \$240,643.

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

4. RECEIVABLES

The following is a summary of receivables at June 30, 2011:

	<u>General</u>	<u>Special Revenue</u>	<u>Sewer</u>
Sales and use tax	\$ 25,130	\$ -	\$ -
Ad valorem tax	1,472	1,659	370
Sewer fees	-	-	4,618
	<u>\$ 26,602</u>	<u>\$ 1,659</u>	<u>\$ 4,988</u>

Substantially all receivables are considered to be fully collectible, and no allowance for uncollectibles is used.

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2011, for the primary government is as follows:

Governmental Activities:	<u>Balance June 30, 2010</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Balance June 30, 2011</u>
Capital assets, being depreciated				
Buildings & improvements	\$ 194,188	\$ 113,324	\$ -	\$ 307,512
Equipment				
Streets, & Right of Ways	62,420	9,832	-	72,252
General	5,776	-	-	5,776
Streets	172,645	-	-	172,645
Total capital assets, being depreciated	<u>\$ 435,029</u>	<u>\$ 123,156</u>	<u>\$ -</u>	<u>\$ 558,185</u>
Less accumulated depreciation for				
Buildings & improvements	\$ 59,681	\$ 10,121	\$ -	\$ 69,802
Equipment				
Streets & Right of Ways	46,328	1,247	-	47,575
General	5,186	1,382	-	6,568
Streets	77,891	8,832	-	86,323
Total accumulated depreciation	<u>188,884</u>	<u>\$ 21,382</u>	<u>\$ -</u>	<u>210,266</u>
Total Capital assets being depreciated net	<u>\$ 246,145</u>			<u>\$ 347,919</u>

Business type Activity:	<u>Balance June 30, 2010</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Balance June 30, 2011</u>
Capital assets being depreciated				
Sewer System	\$ 502,063	\$ -	\$ -	\$ 502,063
Equipment	10,882	-	-	10,882
Sewer betterments	44,428	-	-	44,428
Total capital assets being depreciated	<u>\$ 557,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 557,173</u>
Less accumulated depreciation for				
Sewer System	248,534	26,103	-	274,637
Equipment	9,383	318	-	9,701
Sewer betterments	13,281	1,800	-	15,081
Total accumulated depreciation	<u>271,197</u>	<u>\$ 28,221</u>	<u>\$ -</u>	<u>299,419</u>
Total Capital assets being depreciated net	<u>\$ 285,976</u>			<u>\$ 257,754</u>

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

5. CAPITAL ASSETS (continued)

Depreciation expense of \$21,382 for the year ended June 30, 2011, was charged to the following governmental functions:

General government	\$ 2,118
Public works: Streets and right of ways	10,071
Cultural and recreation	9,193
	<u>\$ 21,382</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composite of interfund receivable/payable as of June 30, 2011 was:

	<u>General</u>	<u>Special Revenue</u>	<u>Sewer</u>	<u>Total</u>
Due to	\$ -	\$ 621	\$ 1,274	\$ 1,895
Due from	(1,895)	-	-	(1,895)
	<u>\$ (1,895)</u>	<u>\$ 621</u>	<u>\$ 1,274</u>	<u>\$ -</u>

7. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The following is a summary of payables at June 30, 2011:

	<u>General</u>	<u>Special Revenue</u>	<u>Sewer</u>
Trade payables	\$ 3,615	\$ -	\$ 1,360
Accrued payroll taxes	637	-	-
Rent deposits	1,318	-	-
Total	<u>\$ 5,570</u>	<u>\$ -</u>	<u>\$ 1,360</u>

8. COMMITTED FUND BALANCE

As of June 30, 2011 the net fund balance committed for streets was as follows:

Beginning reserve June 30, 2010	\$ 165,085
Sales tax revenue	240,643
Less street expenses	(96,990)
Capital outlay streets	(9,832)
Net reserve for streets, June 30, 2011	<u>\$ 298,906</u>

9. PER DIEM/REIMBURSEMENTS TO MAYOR AND BOARD OF ALDERMEN

Per Diem and reimbursements paid to the Mayor and Board of Aldermen for the year ended June 30, 2011, are as follows:

Honorable Clayton Davis, Mayor	510
Honorable Marsha L. Richardson, Mayor/Alderwoman	560
Rhonda Meek, Alderwoman	355
Bill Cook, Alderman	300
Mike Rives, Alderman	110
Total	<u>\$ 1,835</u>

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2011

10. LONG-TERM OBLIGATIONS

On December 28, 1999, the Village authorized \$260,000 of revenue bonds secured by the revenues of the sewer system. The Sewer Revenue Bonds, Series 1999 are collateralized by the revenue of the sewer system and the various special funds established by the bond ordinance. The ordinance provides that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the bond funds. The Village paid in full the bond during the year ended June 30, 2011.

The following is a summary of the long-term obligation transactions for the year ended June 30, 2011:

Long-term obligations at June 30, 2010	\$	229,608
Additions		-
Deductions		<u>(229,608)</u>
Long-term obligations at June 30, 2011	\$	<u><u>-</u></u>

11. PENSION PLAN

All employees of the Village are members of the Social Security System. In addition to the employee contributions withheld at 7.65 percent of gross salary, the Village contributes an equal amount to the Social Security System. The Village does not guarantee the benefits granted by the Social Security System.

12. LEASE AGREEMENT

The Village entered into an agreement April 1, 2004, with the Grand Cane Water System, Inc. to lease a generator to the water system for \$100 a year for ten years.

The Village also rents one of the downtown Village historical buildings for an average of \$1,215 a month beginning October, 2010.

13. RELATED PARTY TRANSACTIONS

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2011.

14. SUBSEQUENT EVENT

Management has performed an evaluation of the Village of Grand Cane's activities through December 14, 2011, and has concluded that there are not significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

VILLAGE OF GRAND CANE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive(Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 6,200	\$ 6,200	\$ 6,110	\$ (90)
Sales taxes	80,000	150,000	240,643	90,643
Franchise taxes	12,900	12,900	13,329	429
Intergovernmental revenues				
Local grant	-	150,000	150,000	-
Licenses and permits	15,000	15,000	27,684	12,684
Use of Money and Property	250	250	605	355
Charges for services-rent	4,500	4,500	11,286	6,786
Other	400	418,077	25,163	(392,914)
Total Revenues	<u>119,250</u>	<u>756,927</u>	<u>474,820</u>	<u>(282,107)</u>
Expenditures:				
Current:				
General government	46,765	49,985	54,445	(4,460)
Public works:				
Street and right of ways	30,000	100,360	96,990	3,370
Culture and recreation	-	155,300	7,102	148,198
Capital Outlays	-	-	123,156	(123,156)
Total Expenditures	<u>76,765</u>	<u>305,645</u>	<u>281,693</u>	<u>23,952</u>
Excess (Deficiency) of Revenues over Expenditure	<u>42,485</u>	<u>451,282</u>	<u>193,127</u>	<u>(258,155)</u>
Other Financing Sources (Uses)				
Operating transfers out	-	(229,706)	(229,506)	200
Total Other Financing Sources (Uses)	<u>-</u>	<u>(229,706)</u>	<u>(229,506)</u>	<u>200</u>
Net change in Fund Balances	42,485	221,576	(36,379)	(257,955)
Fund balances, beginning of year	712,963	712,963	712,963	-
Fund balances, end of year	<u>\$ 755,448</u>	<u>\$ 934,539</u>	<u>\$ 676,584</u>	<u>\$ (257,955)</u>

The accompanying notes are an integral part of the financial statements.
See the independent auditor's report.

VILLAGE OF GRAND CANE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 10,000	\$ 10,000	\$ 10,664	\$ (664)
Other Financing Uses:				
Operating transfers out	-	-	-	-
Net Change in Fund Balances	10,000	10,000	10,664	(664)
Fund balance, beginning of year	14,510	14,510	14,510	-
Fund balance, end of year	\$ 24,510	\$ 24,510	\$ 25,174	\$ (664)

The accompanying notes are an integral part of the financial statements.
See the independent auditor's report.

VILLAGE OF GRAND CANE, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2011

Budgetary Information

The Village of Grand Cane's budget is prepared in accordance with accounting principles generally accepted in the United States of America. Through the budget, the Village allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Village's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures, and control that permit the evaluation and adjustment of the Villages performance.

The Louisiana Local Government Budget Act provides the "total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year-end. The budget was amended during the year. The budget comparison schedules present the original adopted budget and the final amended budget.

The budgetary comparison schedules present comparisons of the original and final legally adopted budgets for the General fund and the Special Revenue Fund with the actual data.

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

The following independent 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*, is presented in compliance with requirements of *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**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**

The Honorable Marsha Richardson, Mayor
and the Members of the Board of Aldermen
Village of Grand Cane, Louisiana

I have audited the financial statements of the governmental activities, each major governmental fund, and the business-type activities of the Village of Grand Cane, Louisiana as of and for the year ended June 30, 2011, which collectively comprise the Village of Grand Cane, Louisiana's basic financial statements and have issued my report thereon dated December 14, 2011. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Grand Cane, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Grand Cane, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village of Grand Cane, Louisiana's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2011-01 and 2011-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Grand Cane, Louisiana's, financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as Item 2011-03.

The Village of Grand Cane, Louisiana's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit Village of Grand Cane, Louisiana's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the Village of Grand Cane, Louisiana, Board of Aldermen and management, federal awarding agencies, pass-through entities and the Louisiana Legislative Auditor, and is not intended to be, and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is a public document and distribution is not limited.

Albert D. Lee, CPA

Mansfield, Louisiana
December 14, 2011

AUDIT FINDINGS

VILLAGE OF GRAND CANE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year ended June 30, 2011

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

I have audited the basic financial statements of Village of Grand Cane, Louisiana, as of and for the year ended June 30, 2011, and have issued my report thereon dated December 14, 2011. I conducted my 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. My audit of the basic financial statements as of June 30, 2011, resulted in an unqualified opinion.

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

Internal Control

Material Weaknesses
Significant Deficiency

Yes No
 Yes No

Compliance and Other Matters

Noncompliance or other matters

Yes No

A management letter was not issued.

FEDERAL AWARDS

Not applicable

Part II. Findings relating to the Financial Statements which are required to be Reported under *Government Auditing Standards*.

FINDINGS RELATED TO INTERNAL CONTROL

2011-01. Inadequate design of internal control over financial statement preparation.

Criteria: In the past, auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 expands management's responsibility to ensure the propriety and completeness of the financial statements and related footnotes.

Finding: The Village of Grand Cane's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

Recommendation: Village should either: 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency.

VILLAGE OF GRAND CANE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year ended June 30, 2011

Management's Response: Based upon the cost versus benefit of obtaining the necessary resources and/or training, management has determined it is not cost effective and in our best interest to continue to outsource this task to the independent auditor, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2011-02. Inadequate segregation of duties.

Criteria. Good internal control requires that different personnel be assigned to authorize transactions, record transactions, and maintain custody of assets.

Finding. The Village has only one office employee and does not have adequate segregation of functions or duties within the accounting system. Because of this, monitoring controls that could be used to detect errors and/or inappropriate actions cannot be performed effectively.

Recommendation: The duties should be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating initializing transactions from general ledger posting and maintenance; 3) separating monitoring responsibility from record-keeping. Where these segregations are not practical, I recommend close supervision and review.

Management's response: At this time we have determined that it is not cost effective to attempt to achieve complete segregation of duties within the accounting function. The Board will continue to review the financial information monthly.

FINDING RELATED TO COMPLIANCE

2011-03. Violation of Local Government Budget Act

Criteria: The Village is subject to R.S. 39:1301 "Local Government Budget Act" which includes R.S. 39:1311 "Budgetary authority and Control."

Finding. Actual revenues were less than the total budgeted revenues by five percent or more.

Condition: Per R.S. 39:1311, "Total revenue and other sources plus projected revenue and other sources for the for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more."

Recommendation: The Village should amend the budget whenever total actual revenues are less than the total budgeted revenue by five percent or more.

Management's Response. We will be more diligent with amendments to our budget during the year.

VILLAGE OF GRAND CANE, LOUISIANA
SCHEDULE OF PRIOR YEARS FINDINGS
For the year ended June 30, 2011

Internal control

2010-01. Inadequate design over financial statement preparation. Unresolved. Management concurs with the finding, but due feels it is cost effective to continue to outsource this to the auditor. Continues to be a finding: 2011-01.

2010-02. (since 2003) Segregation of duties. This continues to be a finding. Management concurs with the finding, but due to economic limitations, is unable to hire additional office personnel at this time. Continues to be a finding: 2011-02.

Compliance

2010-03. Violation of the Local Government Budget Act. This continues to be a finding, but within a different area of the budget.