

2446

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**FINANCIAL STATEMENTS**

**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 APR 03 2013

**Marsha O. Millican**  
**A Professional Accounting Corporation**  
**Shreveport, Louisiana**

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

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**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

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# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

## INDEPENDENT AUDITOR'S REPORT

The Honorable Euricka Mayweather, Mayor  
and Members of the Board of Aldermen  
Village of South Mansfield, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and remaining fund information, which collectively comprise the basic financial statements of Village of South Mansfield, Louisiana, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion 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 *Governmental 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 opinion.

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

The required supplementary information on page 21 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on Village of South Mansfield's basic financial statements. The accompanying supplemental information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, I have also issued a report dated February 25, 2013 with certain provisions of laws, regulations, contracts, and grants. 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

*Marsha D. Millican*

Certified Public Accountant  
February 25, 2013

## **VILLAGE OF SOUTH MANSFIELD**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Village of South Mansfield's (hereinafter referred to as the Village) financial performance provides an overview of the Village's financial activities for June 30, 2011. Please read it in conjunction with the Village's financial statements that begin on Page 6.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on Page 6 and 7 provide information about the activities of the Village as a whole. Fund financial statements begin on Page 8. For governmental activities, these statements provide information on how the general activities of the Village are financed in the short term as well as what remains for future spending. Fund financial statements report the Village's operations in more detail than the government-wide statements.

#### **Reporting the Village as a Whole – The Statement of Net Assets and the Statement of Activities**

Our analysis of the Village as a whole begins on Page 6 with the Statement of Net Assets and on Page 7 with the Statements of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. Net assets – the difference between assets (what the Village owns) and liabilities (what the Village owes) is a way to measure the financial position of the Village. Over time, increases or decreases in the Village's net assets are an indicator of whether the Village's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Village is divided into two kinds of activities:

Governmental activities – all of the Village's governmental services are reported here.

Business-type activities – the Village's water and sewer system is reported here.

## **Reporting the Village's Funds – Fund Financial Statements**

Our analysis of the Village's funds begins on Page 8. The fund financial statements provide more detailed information about the Village's funds. The Village's two kinds of funds – governmental and business-type funds use different accounting methods.

Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. Governmental funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's operations. Governmental fund information helps to determine whether there are more or fewer financial resources that are available to be spent in the near future. The differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds are reported in a reconciliation at the bottom of the fund financial statements.

Business-type activities funds are reported in the same way that the activities are reported in the Statement of Net Assets and the Statement of Activities.

## **COMPARATIVE ANALYSIS OF FINANCIAL DATA**

### **Government-wide Financial Statements**

The Village had \$3,159,325 in total assets at June 30, 2011 with \$2,799,160 invested in capital assets and \$360,165 in other assets. Total liabilities were \$201,839 with \$159,982 in long-term debt and \$41,857 in other liabilities. Total net assets of \$2,957,486 consisted of \$2,799,160 invested in capital assets (net of related debt), \$10,819 in restricted assets, and \$147,507 in unrestricted assets. Total revenue for the year ended June 30, 2011 was \$782,143 compared to \$478,528 for the prior year with the difference primarily as a result of \$364,721 oil and gas rentals received in the current year.

### **Governmental Funds**

The revenue generated from taxes and permits for governmental activities in the amount of \$231,459 increased from the prior year of \$162,262 due to increased activity in the area. General government program expenses, excluding capital outlay, of \$134,562 increased approximately \$29,777 from the prior year amounts.

### **Business-Type Activities**

The Village's revenue from its water and sewer activities increased from the prior year by \$8,312 as a result of additional customers. The expenses of its water and sewer activities increased \$17,234 excluding depreciation.

## **OVERALL FINANCIAL POSITION**

The Village's net assets increased \$395,154 as a result of this year's operations. The majority of this increase resulted from grants received less depreciation expense in Water and Sewer Enterprise Fund. Unrestricted net assets (those assets available to finance the daily operations of the Village) were \$147,507 at year ending June 30, 2011. The amount invested in capital assets was \$2,799,160 at year ending June 30, 2011.

## **VILLAGE'S FUNDS**

At year's end, the Village's General Fund reported a fund balance of \$134,480. The increase in unreserved fund balance for June 30, 2011 was \$89,565. The increase in net assets was a result of grants received. The Water and Sewer Enterprise Fund reported net assets of \$2,568,833 at year end. The increase in net assets was \$294,370 for June 30, 2011.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village prepares its General Fund budget on the modified accrual basis of accounting. General Fund Revenues were budgeted at \$72,700 while actual revenues were \$259,103. Expenditures were budgeted to be \$133,000 and actual were \$162,106. The expense variance was primarily the result of an increase in the allocation of personal services and supplies charged to the general fund versus the business type activity. The income variance is due to additional activity with the Village.

## **CAPITAL ASSETS AND DEBT**

### **Capital Assets**

At the end of June 30, 2011, the Village had capital assets (net of accumulated depreciation) totaling \$2,799,160. Capital assets include the water and sewer systems and improvements, land, buildings, improvements other than buildings, and equipment costing \$1,000 or more. General fund improvements completed during the year amounted to \$49,978. System improvements in the water and sewer system totaled \$95,214.

### **Debt**

At the year ending June 30, 2011 the Village paid \$134,000 in revenue bonds payable. in full with oil and gas lease proceeds. The Village's liability to the Department of Transportation and Development for advances to relocate water lines was \$159,982.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Village expects its 2011-2012 General Fund revenues and expenditures to stay in line with the current year.

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**STATEMENT OF NET ASSETS**

**June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	129,702	190,552	320,254
Restricted Cash	-	10,819	10,819
Receivables	10,226	18,866	29,092
Capital assets (net)	254,173	2,544,987	2,799,160
Total Assets	<u>394,101</u>	<u>2,765,224</u>	<u>3,159,325</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	5,448	2,954	8,402
Customer deposits	-	33,455	33,455
Advances from DOTD	-	159,982	159,982
Total Liabilities	<u>5,448</u>	<u>196,391</u>	<u>201,839</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	254,173	2,544,987	2,799,160
Restricted	-	10,819	10,819
Unrestricted	134,480	13,027	147,507
Total Net Assets	<u>388,653</u>	<u>2,568,833</u>	<u>2,957,486</u>
Total Liabilities and Net Assets	<u>394,101</u>	<u>2,765,224</u>	<u>3,159,325</u>

See accompanying notes and accountant's review report.

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**STATEMENT OF ACTIVITIES**  
**For the Year ended June 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes</u> <u>in Net Assets</u>		
		<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES:</b>						
General Government	150,887	-	27,544	(123,343)	-	(123,343)
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Water and Sewer service	236,102	133,296	25,000	-	(77,806)	(77,806)
Total Government	<u>386,989</u>	<u>133,296</u>	<u>52,544</u>	<u>(123,343)</u>	<u>(77,806)</u>	<u>(201,149)</u>
<b>GENERAL REVENUES:</b>						
Property taxes				4,515	-	4,515
Sales taxes				176,516	-	176,516
Franchise taxes				27,586	-	27,586
License and permit				2,719	-	2,719
P&M beer taxes				20,123	-	20,123
Oil & Gas Lease Income				-	364,721	364,721
Interest Income				-	123	123
<b>TRANSFERS</b>				<u>(7,332)</u>	<u>7,332</u>	<u>-</u>
Total General Revenues and Transfers				<u>224,127</u>	<u>372,176</u>	<u>596,303</u>
<b>CHANGE IN NET ASSETS</b>				100,784	294,370	395,154
<b>NET ASSETS - BEGINNING, RESTATED (NOTE 10)</b>				<u>287,869</u>	<u>2,274,463</u>	<u>2,562,332</u>
<b>NET ASSETS - ENDING</b>				<u>388,653</u>	<u>2,568,833</u>	<u>2,957,486</u>

The accompanying notes are an integral part of this statement.

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2011**

	<u>General Fund</u>
<b><u>ASSETS</u></b>	
Cash	129,702
Receivables	<u>10,226</u>
Total Assets	<u><u>139,928</u></u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
Liabilities-accounts payable	5,448
Fund balances	
Unassigned	<u>134,480</u>
Total Liabilities and Fund Balance	<u><u>139,928</u></u>
<b>Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets</b>	
Fund balance - Governmental Funds	134,480
Amount reported for net assets of governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund	<u>254,173</u>
Net assets of governmental activities	<u><u>388,653</u></u>

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

**For the year ended June 30, 2011**

	<u>General Fund</u>
<b><u>REVENUES</u></b>	
Taxes:	
Property	4,515
Sales	176,516
Franchise	27,586
P&M beer	20,123
License and permits	2,719
Grants	
State Grant	27,544
Total Revenues	<u>259,003</u>
<b><u>EXPENDITURES</u></b>	
General government:	
Personal services	62,621
Operating services	53,330
Materials and supplies	18,612
Capital outlays	27,544
Total Expenditures	<u>162,107</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	96,896
<b><u>OTHER FINANCING SOURCE - Transfers</u></b>	<u>(7,332)</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	89,564
<b><u>FUND BALANCE, BEGINNING OF YEAR-RESTATE (NOTE10)</u></b>	<u>44,916</u>
<b><u>FUND BALANCE, END OF YEAR</u></b>	<u>134,480</u>
<b>Reconciliation of the Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.</b>	
Net change in fund balance-Governmental Funds	89,564
Capital outlays are reported for governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount that capital outlays exceeds depreciation expense.	11,220
<b>Change in net assets of governmental activities</b>	<u>100,784</u>
The accompanying notes are an integral part of this statement.	

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES**

**June 30, 2011**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 190,552
Accounts receivable (net)	18,866
Total Current Assets	<u>209,418</u>

**Noncurrent Assets**

Restricted cash	10,819
Capital Assets, Net	<u>2,544,987</u>
Total Noncurrent Assets	<u>2,555,806</u>

Total Assets \$ 2,765,224

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accruals	<u>\$ 2,954</u>
Total Current Liabilities	<u>2,954</u>

**Noncurrent Liabilities**

Customer deposits	33,455
Advances from DOTD	<u>159,982</u>
Total Noncurrent Liabilities	<u>193,437</u>

Total Liabilities 196,391

**NET ASSETS**

Investments in capital assets, Net of related debt	2,544,987
Restricted	10,819
Unrestricted	<u>13,027</u>

Total Net Assets 2,568,833

Total Liabilities and Net Assets \$ 2,765,224

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - BUSINESS-**  
**TYPE ACTIVITIES**  
**For the Year ended June 30, 2011**

**OPERATING REVENUES**

Water and sewer fees 133,296

**OPERATING EXPENSES**

Bad Debts 9,966  
Billing and collection 4,901  
Depreciation 109,745  
Equipment rentals 1,235  
Fees and dues 1,903  
Insurance 9,219  
Maintenance & Repairs 36,397  
Miscellaneous 996  
Office expense 250  
Personal services 32,890  
Professional fees 72  
Telephone 678  
Testing expense 2,900  
Utilities 13,028  
Water lease and purchase 8,672  
Total operating expenses 232,852

**OPERATING INCOME (LOSS)**

(99,556)

**NON-OPERATING REVENUES (EXPENSE)**

Interest earned on deposits 123  
Oil & Gas Lease Income 364,721  
Interest expense (3,250)  
Total non-operating revenues (expenses) 361,594

**CHANGES IN NET ASSETS BEFORE**

**CONTRIBUTIONS AND TRANSFERS 262,038**

**CONTRIBUTIONS FROM STATE**

25,000

**TRANSFERS (TO) FROM GENERAL FUND**

7,332

**CHANGES IN NET ASSETS**

294,370

**NET ASSETS - BEGINNING OF YEAR**

2,274,463

**NET ASSETS - END OF YEAR**

2,568,833

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES**

**For the year ended June 30, 2011**

**Cash Flows From Operating Activities**

Receipts from customers	140,787
Payments to suppliers	(102,675)
Payments to employees	(25,445)
Net cash provided by operating activities	<u>12,667</u>

**Cash Flows From Non-Capital Financing**

Transfer to General Fund	7,332
Proceeds from Lease Income	364,721
Net cash provided by non-capital financing activities	<u>372,053</u>

**Cash Flows From Capital and Related Financing Activities**

Principal paid on capital debt	(134,000)
Capital Contributions	25,000
System Improvements	(95,214)
Interest paid on capital debt	(4,558)
Net cash used by capital and related financing activities	<u>(208,772)</u>

**Cash Flows From Investing Activities**

Interest income	123
Net cash provided by Investing Activities	<u>123</u>

Net Increase in Cash	175,948
Cash at Beginning of Year, (included restricted amounts of \$21,649)	25,423
Cash at End of Year, (included restricted amounts of \$10,819)	<u><u>201,371</u></u>

**Reconciliation of Operating Income to Net Cash**

<b><u>Provided by Operating Activities</u></b>	
Operating Income (Loss)	(99,556)
Adjustments	
Depreciation	109,745
Decrease in accounts receivable	7,491
Decrease in accounts payable	(8,223)
Increase in customer deposits	3,210
Net cash provided by operating activities	<u><u>12,667</u></u>

The accompanying notes are an integral part of this statement.

**VILLAGE OF SOUTH MANSFIELD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

The Village of South Mansfield is governed by the mayor-board of aldermen form of government. The Village provides streets, planning, water/sewer and general government services to its residents.

**NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.                      Basis of Accounting**

The accompanying financial statements of Village of South Mansfield have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (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 No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June, 1999.

**B.                      Reporting Entity**

GASB Statement 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Village of South Mansfield 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 of South Mansfield 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 bond debt.

**C.                      Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets, page 6, and the Statement of Activities, (page 7) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Ad valorem taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in 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. Sales and use tax revenues are recorded in the month collected by the tax collector. All other revenue items are considered to be measurable and available only when the cash is received by the government.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of capital assets, debt extinguishment, long-term proceeds, et cetera) are accounted for as other financing sources/(uses). These other financing sources/(uses) are recognized at the time the underlying events occur.

Village of South Mansfield reports the following governmental and proprietary funds:

**Governmental Funds**

Governmental funds account for all or most of Village of South Mansfield's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term obligations.

**General Fund** - is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

**NOTE 1****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation****Proprietary Funds**

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Village of South Mansfield applies all GASB pronouncements as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Enterprise Fund** - is used to account for operations a) that are financed/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 the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include a) charges to customers or applicants for goods, services, or privileges provided, b) operating grants and contributions, and c) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Formal budgetary accounting is employed as a management control. Village of South Mansfield prepares and adopts a budget each year for its general and utility funds in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The Town amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more. All budget appropriations lapse at year end.

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the Village defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

**G. Receivables**

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

**H. Bad Debts**

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2011, \$9,966 of Business-Type Activities receivables were considered to be uncollectible.

**I. Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets that have been purchased that have a useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the Government-Wide Statement of Net Assets. In contrast, in the Fund Financial Statements, capital assets are recorded as expenditures of the fund that provided the resources to acquire the asset. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and other improvements, and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

**J. Sales Taxes**

The Village collects a one (1) percent sales and use tax with the net proceeds, after deducting costs of collection and administration, dedicated to construction, acquiring, extending, improving and/or maintaining drainage facilities, streets, street lighting facilities, bridges, sidewalks, waterworks, sewers and sewer disposal works, recreational facilities, public parks, public buildings and equipment, payment of salaries of municipal employees, maintaining and operating the municipal police department including the purchase of equipment thereof, or for any one or more of said purposes, title to which improvements shall be in the public.

**NOTE 1                    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K.                    Compensated Absences**

Leave cannot be accumulated or carried over from one year to the next. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

**L.                    Estimates**

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

**NOTE 2    LEVIED TAXES**

Village of South Mansfield levies taxes on real and business personal property located within its boundaries. The Parish Tax Assessor assesses the property values and prepares the Town's property tax roll. The DeSoto Parish Sales & Use Tax Commission bills and collects the property taxes and remits the tax to the Village. Ad valorem taxes attach as an enforceable lien on property as of December 31 of each year. Taxes of 5.22 mills were levied on property with assess valuations totaling 864,881 and were dedicated for general operating purposes. Total taxes levied after adjustments were \$4,515. Taxes receivable at June 30, 2011 totaled \$2,788.

**NOTE 3    DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**A.                    Deposits with Financial Institutions**

For reporting purposes, deposits with financial institutions includes savings, demand deposits, time deposits, and certificates of deposit. Under state law the Village may deposit funds within a fiscal agent bank selected and designated by the Village's amangement. Further, the fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits 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 bank. These pledged 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. The carrying amount of the Village's deposits at June 30, 2011 including was \$331,073 and the bank's balance was \$332,644. The difference is due to outstanding checks and deposits at year end. All deposits were secured by FDIC insurance.

**NOTE 4 ACCOUNTS RECEIVABLE**

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

	Governmental Activities	Business-Type Activities	Total
Taxes			
Ad Valorem	\$ 2,788	\$ -	\$ 2,788
Franchise	3,291	-	3,291
P & M Beer	3,295	-	3,295
Sales Tax	852	-	852
Charges for services	-	18,866	18,866
Total.	<u>\$ 10,226</u>	<u>\$ 18,866</u>	<u>\$ 29,092</u>

**NOTE 5 CAPITAL ASSETS**

A summary of Village of South Mansfield's capital assets at June 30, 2011 follows:

	Balance 6/30/2010	Additions	Retirements	Balance 6/30/2011
<b>Government Activities</b>				
<b>Capital Assets, not being depreciated</b>				
Construction in Progress	\$ 22,434	\$ -	\$ (22,434)	\$ -
Land	19,356	-	-	19,356
Total Capital Assets, not being depreciated	<u>41,790</u>	<u>-</u>	<u>(22,434)</u>	<u>19,356</u>
<b>Capital Assets, being depreciated</b>				
Buildings and other improvements	33,695	-	-	33,695
Park Improvements	25,367	49,978	-	75,345
Street Paving	153,337	-	-	153,337
Total capital assets being depreciated	<u>212,399</u>	<u>49,978</u>	<u>-</u>	<u>262,377</u>
Less accumulated depreciation	(11,236)	(16,324)	-	(27,560)
Total Capital Assets, being depreciated	<u>201,163</u>	<u>33,654</u>	<u>-</u>	<u>234,817</u>
<b>Governmental Activities</b>				
Total Capital Assets, net	<u>\$ 242,953</u>	<u>\$ 33,654</u>	<u>\$ (22,434)</u>	<u>\$ 254,173</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, not being depreciated</b>				
Land	\$ 44,350	\$ -	\$ -	\$ 44,350
Total Capital Assets, not being depreciated	<u>44,350</u>	<u>-</u>	<u>-</u>	<u>44,350</u>
<b>Capital Assets, being depreciated</b>				
Distribution System	3,824,067	95,214	-	3,919,281
Maintenance Equipment	49,176	-	-	49,176
Less accumulated depreciation	(1,358,075)	(109,745)	-	(1,467,820)
Total Capital Assets, being depreciation	<u>2,515,168</u>	<u>(14,531)</u>	<u>-</u>	<u>2,500,637</u>
<b>Total Capital Assets, net</b>	<u>\$ 2,559,518</u>	<u>\$ (14,531)</u>	<u>\$ -</u>	<u>\$ 2,544,987</u>
<b>Primary Government</b>				
Total Capital Assets, net	<u>\$ 2,802,471</u>	<u>\$ 19,123</u>	<u>\$ (22,434)</u>	<u>\$ 2,799,160</u>

**NOTE 6 ACCOUNTS PAYABLE AND ACCRUALS**

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

	Governmental Activities	Business-Type Activities	Total
Vendor	\$ 2,588	\$ 1,591	\$ 4,179
Payroll taxes	2,860	1,363	4,223
Other	-	-	-
Total	<u>\$ 5,448</u>	<u>\$ 2,954</u>	<u>\$ 8,402</u>

**NOTE 7 LEASES**

Village of South Mansfield was not obligated under any operating lease commitments at June 30, 2011.

**NOTE 8 RISK MANAGEMENT**

Village of South Mansfield 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 these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village.

**NOTE 9 ADVANCES FROM DOTD**

The Louisiana Department of Transportation advanced funds of \$159,982 to the Village through the Utility Relocation Assistance Funding Program to relocate water lines located in the US Highway 171 right of way. Annual repayments are required equal to 5% of gross income or 10% of the outstanding balance. The first payment must be made within one year of the date of invoicing the utility by DOTD. The Department of Transportation has invoiced the Village as follows: Agreement No. 8740 dated May 4, 2010 in the amount of \$75,545 Agreement No. LLTM 401-00 dated May 24, 2011 in the amount of \$84,437. The Village has not paid these invoices.

**NOTE 10 PERIOD PERIOD ADJUSTMENTS**

The following adjustments were made to beginning net assets for errors in the beginning balances deemed to be material as follows:

	General Fund	Net Assets
Balance, beginning of year, as previously reported	59,500	302,453
Corrections to cash balance	4,995	4,995
Corrections to sales tax receivable	(19,579)	(19,579)
Balances, beginning of year, restated	<u>\$ 44,916</u>	<u>\$ 287,869</u>

**NOTE 10****SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 25, 2013, the date the financial statements were available to be issued, and determined that no additional disclosures are warranted.

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**For the year ended June 30, 2011**

	<u>Original Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Budget Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Taxes:			
Property	1,200	4,515	3,315
Sales	40,000	176,516	136,516
Franchise	14,000	27,586	13,586
P&M beer	16,000	20,123	4,123
License and permits and other	1,500	2,719	1,219
Grants	-	27,544	27,544
Total Revenues	<u>72,700</u>	<u>259,003</u>	<u>186,303</u>
<b><u>EXPENDITURES</u></b>			
General government:			
Personal services	60,000	62,621	(2,621)
Operating services	60,000	53,330	6,670
Materials and supplies	13,000	18,612	(5,612)
Capital outlays	-	27,544	(27,544)
Total Expenditures	<u>133,000</u>	<u>162,107</u>	<u>(29,107)</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	(60,300)	96,896	157,196
<b><u>OTHER FINANCING SOURCE - Transfers</u></b>	-	(7,332)	(7,332)
<b><u>NET CHANGE IN FUND BALANCE</u></b>	(60,300)	89,564	149,864
<b><u>FUND BALANCE AT BEGINNING OF YEAR</u></b>	<u>44,916</u>	<u>44,916</u>	<u>-</u>
<b><u>FUND BALANCE AT END OF YEAR</u></b>	<u>(15,384)</u>	<u>134,480</u>	<u>149,864</u>

**VILLAGE OF SOUTH MANSFIELD, LOUISIANA**  
**SCHEDULE OF COMPENSATION PAID TO**  
**MEMBERS OF THE BOARD OF ALDERMEN**  
**YEAR ENDED JUNE 30, 2011**

Honorable Euricka Mayweather	\$ 3,600
Ola Mae Evans	1,800
Jimmy Smith	1,800
Dianne Hudson	<u>1,800</u>
 Total	 <u>\$ 9,000</u>



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

## 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 Ericka Mayweather, Mayor  
and Members of the Board of Aldermen.  
Village of South Mansfield, Louisiana

I have audited the accompanying primary government financial statement of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village of South Mansfield, Louisiana as of and for the year ended June 30, 2011, and have issued my report thereon dated February 25, 2013. I conducted my audit in accordance with accounting 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 South Mansfield's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

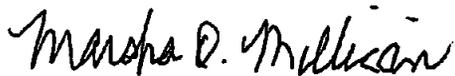
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected on a timely basis. I consider Finding #2011-1, Finding #2011-2, Finding# 2011-3, and Finding #2011-4 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and questioned costs as Finding #2011-5, Finding#2011-6, and Finding 2011-7.

This report is intended solely for the information and use of the Board of Directors, management, and federal and state cognizant agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Marsha D. Mullison". The signature is written in a cursive style with a large initial "M".

Certified Public Accountant  
February 25, 2013

**VILLAGE OF SOUTH MANSFIELD**

**Schedule of Findings**

**Year Ended June 30, 2011**

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. Two significant deficiencies, which are material weaknesses, are reported.
3. Four instances of noncompliance material to the financial statements of the Village were disclosed during the audit.

**FINDING 2011-1:**

**Condition:** The Village did not file its financial statements within the time frame required by State law.

**Criteria:** The Village is not in compliance with State law.

**Cause:** The financial statements were not available to perform the audit on a timely basis.

**Recommendation:** I recommend the Village file its annual financial statements within the time frame required by State Law.

**Management's Response and Corrective Action Plan:** We agree with the finding. However, we did give the auditor the financial statements requested but further information was requested by the auditor after the Legislative Auditor's extension had expired causing the audit to be late. However, in the future we will make every effort to submit future audits in a timely manner.

**FINDING 2011-2:**

**Condition:** The Village did not maintain adequate accounting record for the year ended June 30, 2011. Receipts are not deposited on a timely basis. Bank reconciliations are not reconciled to the general ledger. Checks are often recorded in the accounting records at a date after the check has cleared the bank.

**Criteria:** This condition could result in errors or irregularities occurring and remaining and not being detected for an extended period of time.

**Cause:** The condition is due to lack of personnel.

**Recommendation:** I recommend the Village maintain adequate accounting records. Receipts should be deposited on a timely basis. Bank reconciliations should be reconciled with the general ledger on a monthly basis. Checks should be recorded on the date of the transaction.

**VILLAGE OF SOUTH MANSFIELD**

**Schedule of Findings (Continued)**

**Year Ended June 30, 2011**

**FINDING 2011-2: (Continued)**

**Management's Response and Corrective Action Plan:** We agree with the finding. However we were advised by our former auditor to input the checks and deposits into the Quickbooks software and reconcile the bank statements when they came in but as I was putting the checks in I did not pay attention to the dates but cleared them according to the bank statement causing the dates to be incorrect. We also were unaware that the bank statement should balance with the general ledger (balance sheet) until our current auditor informed us in December, 2012. Now that we have the necessary information we will ensure that in the future all accounting records are adequately maintained.

**FINDING 2011-3:**

**Condition:** The segregation of duties is inadequate to provide effective internal control.

**Criteria:** The Village has two office employees which preclude segregation of most duties.

**Cause:** The condition is due to economic and space limitations.

**Recommendation:** Whether or not it would be cost effective to correct a deficiency is not a factor in reporting requirements under accounting standards generally accepted in the United States of America. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under accounting standards generally accepted in the United States of America. In this case, both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical, and, accordingly, do not believe that any corrective action is necessary.

**Management's Response and Corrective Action Plan:** We agree with the finding.

**FINDING 2011-4:**

**Condition:** The Village did not adequately manage utility receivables.

**Criteria:** At June 30, 2011, past due accounts comprised thirty five (35) percent of utility receivables.

**Cause:** The specific cause is unknown.

**Recommendation:** I recommend the Village strictly enforce termination policies and consider working with a collection agency.

**Management's Response and Corrective Action Plan:** We agree with the finding. Also as advised by our former auditor we will write off all bad debt and aggressively enforce the already implemented termination policies for past due utilities.

**VILLAGE OF SOUTH MANSFIELD**

**Schedule of Findings (Continued)**

**Year Ended June 30, 2011**

**FINDING 2011-5:**

**Condition:** The Village has not maintained an adequate balance in meter deposit cash accounts.

**Criteria:** Cash restricted for meter deposits is insufficient to cover the corresponding liability for meter deposits.

**Cause:** The cause is due to management oversight.

**Recommendation:** I recommend the Village fund the meter deposit cash accounts until the proper balance is obtained.

**Management's Response and Corrective Action Plan:** We agree with the finding. We will fund the meter deposit cash accounts as soon as possible.

**FINDING 2011-6:**

**Condition:** The Village is not in compliance with its agreement with the Louisiana Department of Transportation and Development (DOTD) regarding utility relocation costs.

**Criteria:** DOTD advanced the Village \$159,983 from September 3, 1997 through December 16, 2009 for utility relocation costs. The Village was invoiced by DOTD on May 4, 2010 for \$75,545 and \$84,437. These invoices have not been paid by the Village.

**Cause:** The cause is due to management oversight.

**Recommendation:** I recommend the Village comply with its agreement with DOTD regarding utility relocation costs.

**Management's Response and Corrective Action Plan:** We concur with the finding. However subsequent to year end the Village made payment arrangements for the utility relocations cost of \$75,545 and \$84,437 that began January, 2012, and will continue until the debt is paid in full.

**FINDING 2011-7:**

**Condition:** The Village is not in compliance with the State Budget Law.

**Criteria:** Actual expenditures exceeded budgeted amounts by more than 5%; the budget was not amended.

**Cause:** Oversight by management.

**Recommendation:** I recommend the Village comply with State Budget Law.

**Management's Response and Corrective Action Plan:** We agree with the finding. However due to the uncompleted June 30, 2011 audit we were unaware that the budget needed to be amended but when the audit is completed we will make every effort to amend all budgets. In the future, we will comply with the State Budget Law.

**VILLAGE OF SOUTH MANSFIELD**

**Corrective Action Taken of Prior Year Findings**

**Year Ended June 30, 2011**

**FINDING #2010-1:**

The Village did not file its financial statements within the time frame required by State law.

**STATUS:**

Unresolved.

**FINDING #2010-2:**

The segregation of duties is inadequate to provide effective internal control.

**STATUS:**

Unresolved.

**FINDING #2010-3**

The Village failed to comply with the bond debt covenants of the water and sewer bonds.

**STATUS:**

No longer applicable.