



J. WALKER & COMPANY<sub>APC</sub>  
— ACCOUNTANTS AND ADVISORS —

Re: The Town of Cheneyville's 2019 Audit Report

To Whom it May Concern:

A revision was made to the Town of Cheneyville's 2019 LCDBG Agreed-Upon Procedures report on page 4. Originally, \$10,178 was recognized as Administration expenses. However, after discussions with the Louisiana Office of Community Development it was determined that only \$408 should be recognized as Administration expenses, and the remaining \$9,770 was for Construction expenses. No further revisions were made to the original report.

*J. Walker & Company, APC*

Lake Charles, Louisiana  
August 21, 2020

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**TOWN OF CHENEYVILLE, LOUISIANA**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2019**

# TOWN OF CHENEYVILLE, LOUISIANA

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**TOWN OF CHENEYVILLE, LOUISIANA**

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# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

## INDEPENDENT AUDITORS' REPORT

Honorable Derrick Johnson, Mayor  
and Members of the Town Council  
Town of Cheneyville, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cheneyville, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cheneyville, Louisiana as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cheneyville, Louisiana's basic financial statements. The schedule of compensation, benefits and other payments to agency head, and schedule of insurance in force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to agency head is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves,



and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of insurance in force has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, on our consideration of the Town of Cheneyville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cheneyville, Louisiana's internal control over financial reporting and compliance.

*J. Walker & Company, APC*

Lake Charles, Louisiana

March 17, 2020



**TOWN OF CHENEYVILLE, LOUISIANA**

**Statement of Net Position  
June 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 47,257	\$ 9,760	\$ 57,017
Restricted assets:			
Cash and cash equivalents	12,175	38,579	50,754
Investments	-	109,720	109,720
Receivables, net	50,137	34,224	84,361
Due from other governments	17,470	-	17,470
Internal balances	256,235	(256,235)	-
Capital assets:			
Land	37,406	45,323	82,729
Depreciable assets, net of depreciation	609,347	2,380,813	2,990,160
<b>TOTAL ASSETS</b>	<b>\$ 1,030,027</b>	<b>\$ 2,362,184</b>	<b>\$ 3,392,211</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 48,488	\$ 52,327	\$ 100,815
Payroll and other accrued expenses	42,436	838	43,274
Customer deposits payable	-	57,900	57,900
Long-term liabilities:			
Due within one year	-	24,015	24,015
Due in more than one year	-	807,083	807,083
Compensated absences payable	2,800	-	2,800
<b>TOTAL LIABILITIES</b>	<b>93,724</b>	<b>942,163</b>	<b>1,035,887</b>
<b>NET POSITION</b>			
Net investment in capital assets	646,753	1,595,038	2,241,791
Restricted	12,175	90,399	102,574
Unrestricted (deficit)	277,375	(265,416)	11,959
<b>TOTAL NET POSITION</b>	<b>936,303</b>	<b>1,420,021</b>	<b>2,356,324</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,030,027</b>	<b>\$ 2,362,184</b>	<b>\$ 3,392,211</b>

The accompanying notes are an integral part of the basic financial statements.



**TOWN OF CHENEYVILLE, LOUISIANA**

**Statement of Activates  
For the Year Ended June 30, 2019**

	Program Revenues			Primary Government Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>						
Governmental Activities						
General government	\$ 486,285	\$ -	\$ -	\$ (486,285)	\$ -	\$ (486,285)
Public protection	52,772	163,668	-	110,896	-	110,896
Streets and sanitation	92,357	56,730	-	(35,627)	-	(35,627)
Culture and recreation	1,786	-	-	(1,786)	-	(1,786)
Total governmental activities	<u>633,200</u>	<u>220,398</u>	<u>-</u>	<u>(412,802)</u>	<u>-</u>	<u>(412,802)</u>
Business-type activity:						
Sewer	178,776	27,597	-	-	(151,179)	(151,179)
Water	185,510	309,302	-	-	123,792	123,792
Interest expenses	38,293	-	-	-	(38,293)	(38,293)
Total governmental activities	<u>402,579</u>	<u>336,899</u>	<u>-</u>	<u>-</u>	<u>(65,680)</u>	<u>(65,680)</u>
Total Governmental Activities	<u>\$ 1,035,779</u>	<u>\$ 557,297</u>	<u>\$ -</u>	<u>\$ (412,802)</u>	<u>\$ (65,680)</u>	<u>\$ (478,482)</u>
General revenues						
Taxes:						
Property taxes				14,235	-	14,235
Sales and use taxes				202,255	-	202,255
Donations				5,010	-	5,010
License and permits				20,484	-	20,484
Franchise fees				24,614	-	24,614
Rent				4,220	-	4,220
Interest				-	52	52
Festival revenue				4,968	-	4,968
Miscellaneous				17,389	-	17,389
Transfers				132,599	(132,599)	-
Total general revenues				<u>425,774</u>	<u>(132,547)</u>	<u>293,227</u>
Changes in net position				12,972	(198,227)	(185,255)
Net Position - beginning				<u>923,331</u>	<u>1,618,248</u>	<u>2,541,579</u>
<b>Net Position - ending</b>				<u>\$ 936,303</u>	<u>\$ 1,420,021</u>	<u>\$ 2,356,324</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CHENEYVILLE, LOUISIANA

Balance Sheet  
Governmental Funds  
June 30, 2019

	<u>General Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 47,257
Cash - restricted	12,175
Accounts receivable, net	50,137
Due from other governments	17,470
Due from other funds	<u>258,158</u>
 Total Assets	 <u>\$ 385,197</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 48,488
Payroll and other accrued expenses	42,436
Due to other funds	<u>1,923</u>
 Total Liabilities	 <u>92,847</u>
Fund Balance:	
Restricted	12,175
Unassigned	<u>280,175</u>
 Total fund balances	 <u>292,350</u>
 Total Liabilities and Fund Balances	 <u>\$ 385,197</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CHENEYVILLE, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position  
June 30, 2019

Total Fund Balances – Governmental Funds \$ 292,350

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

Capital assets used in governmental activities are not current  
financial resources and, therefore, are not reported in the  
governmental Funds Balance Sheets. Those assets consist of :

Land	37,406	
Depreciable assets, net of accumulated depreciation	<u>609,347</u>	646,753

Long-term liabilities applicable to the Town's governmental activities  
are not due and payable in the current period and, therefore , are  
not reported in governmental funds.

Compensated absences payable	<u>(2,800)</u>
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Total Net Position – Governmental Activities \$ 936,303

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CHENEYVILLE, LOUISIANA**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019**

	<u>General Funds</u>
<b>REVENUES</b>	
Property taxes	\$ 14,235
Sales and other taxes	202,255
Licenses and permits	20,484
Franchise fees	24,614
Rent	4,220
Festival revenue and other celebrations	4,968
Donations	5,010
Fines	163,668
Garbage collection fees	56,730
Miscellaneous	<u>17,389</u>
Total Revenues	<u>513,573</u>
<b>EXPENDITURES</b>	
General government	473,999
Police protection	37,465
Streets and sanitation	45,291
Capital outlay	<u>23,390</u>
Total Expenditures	<u>580,145</u>
Excess (deficiency) of revenues over expenditures	(66,572)
<b>Other Financing Sources (Uses):</b>	
Transfer in	<u>132,599</u>
Net change in fund balance	66,027
Fund Balance, beginning	<u>226,323</u>
Fund Balance, ending	<u>\$ 292,350</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CHENEYVILLE, LOUISIANA

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in the Fund Balances  
to the Statement of Activates  
For the Year Ended June 30, 2019**

Net Change in Fund Balance – Governmental Funds \$ 66,027

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

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities, the cost of those  
assets are allocated over their useful lives as depreciation  
expense. This is the amount by which depreciation charged  
differed from capital outlay in the current period

Capital Outlay	23,390	
Depreciation Expense	<u>(73,645)</u>	(50,255)

The liability and expense for compensated absences are not  
reported in governmental funds. Instead, payments for  
compensated absences are reported as salaries when they occur.  
Only the payment consumes current financial resources and it  
would take a catastrophic event for this liability to become a  
current liability

(2,800)

Change in Net Position – Governmental Activities \$ 12,972

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CHENEYVILLE, LOUISIANA**

**Statement of Net Position  
Proprietary Funds  
June 30, 2019**

	SEWER SYSTEM	WATER SYSTEM	TOTAL
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 4,629	\$ 5,131	\$ 9,760
Receivables, net	8,683	25,541	34,224
Due from other funds	37,116	1,923	39,039
Total Current Assets	50,428	32,595	83,023
Restricted assets			
Cash and cash equivalents	-	38,579	38,579
Investments	-	109,720	109,720
Total Restricted Assets	-	148,299	148,299
Capital assets			
Land	36,075	9,248	45,323
Depreciable assets, net of depreciation	1,445,235	935,578	2,380,813
Total Capital Assets	1,481,310	944,826	2,426,136
TOTAL ASSETS	\$ 1,531,738	\$ 1,125,720	\$ 2,657,458
 <b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 27,769	\$ 24,558	\$ 52,327
Payroll and other accrued expenses	-	837	837
Due to other funds	97,993	197,282	295,275
Customer deposits payable	-	57,900	57,900
Current portion of long-term debt	-	24,015	24,015
Total Current Liabilities	125,762	304,592	430,354
Long-term liabilities:			
Long-term debt	-	807,083	807,083
TOTAL LIABILITIES	125,762	1,111,675	1,237,437
 <b>NET POSITION</b>			
Net investment in capital assets	1,481,310	113,728	1,595,038
Restricted	-	90,399	90,399
Unrestricted (deficit)	(75,334)	(190,082)	(265,416)
TOTAL NET POSITION	1,405,976	14,045	1,420,021
TOTAL LIABILITIES AND NET POSITION	\$ 1,531,738	\$ 1,125,720	\$ 2,657,458

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CHENEYVILLE, LOUISIANA**

**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	SEWER SYSTEM	WATER SYSTEM	TOTAL
<b>Operating Revenues</b>			
Charges for services	\$ 27,597	\$ 309,302	\$ 336,899
Total Operating Revenues	<u>27,597</u>	<u>309,302</u>	<u>336,899</u>
<b>Operating Expenses</b>			
Chemicals	4,189	1,084	5,273
Depreciation	143,017	104,044	247,061
Dues, subscriptions and fees	80	491	571
Equipment	470	435	905
Insurance	629	6,487	7,116
Internet	-	706	706
Materials	3,394	3,221	6,615
Miscellaneous	1,301	7,976	9,277
Outside services	6,500	4,000	10,500
Office supplies and postage	-	2,754	2,754
Professional fees	-	3,507	3,507
Repairs and maintenance	2,242	10,180	12,422
Supplies	1,357	1,742	3,099
Telephone	1,660	1,391	3,051
Travel and seminars	75	735	810
Truck expenses	1,206	4,794	6,000
Bad debt expenses	1,533	4,509	6,042
Utilities	4,940	17,216	22,156
Water and sewer treatment fees	6,183	10,238	16,421
Total Operating Expenses	<u>178,776</u>	<u>185,510</u>	<u>364,286</u>
Operating Income (Loss)	<u>(151,179)</u>	<u>123,792</u>	<u>(27,387)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	-	52	52
Interest Expense	-	(38,293)	(38,293)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>(38,241)</u>	<u>(38,241)</u>
Income Before Contributions and Transfers	<u>(151,179)</u>	<u>85,551</u>	<u>(65,628)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers (Out)	-	(132,599)	(132,599)
Total Other Financial Sources (Uses)	<u>-</u>	<u>(132,599)</u>	<u>(132,599)</u>
<b>Change in Net Position</b>	(151,179)	(47,048)	(198,227)
<b>Net Position, Beginning of Year</b>	<u>1,557,155</u>	<u>61,093</u>	<u>1,618,248</u>
<b>Net Position, End of Year</b>	<u>\$ 1,405,976</u>	<u>\$ 14,045</u>	<u>\$ 1,420,021</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHENEYVILLE, LOUISIANA**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019**

	SEWER SYSTEM	WATER SYSTEM	TOTAL
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 28,311	\$ 314,480	\$ 342,791
Cash payments to suppliers	(32,640)	(90,051)	(122,691)
Payments to others	(720)	(641)	(1,361)
Net cash provided (used) by operating activities	(5,049)	223,788	218,739
<b>Cash flows from noncapital financing activities:</b>			
Due to other funds	15,841	(210)	15,631
Due from other funds	(1,900)	(25,763)	(27,663)
Transfers out	-	(132,599)	(132,599)
Net cash provided (used) by noncapital activities	13,941	(158,572)	(144,631)
<b>Cash flows from investing activities</b>			
Purchase of investments	-	(3,728)	(3,728)
Earnings on investments	-	52	52
Net cash provided (used) by investing activities	-	(3,676)	(3,676)
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(4,775)	(1,396)	(6,171)
Principal payment bonds	-	(23,699)	(23,699)
Interest expense	-	(38,293)	(38,293)
Net cash provided (used) for capital and related financing activities	(4,775)	(63,388)	(68,163)
<b>Net increase in cash and cash equivalents</b>	4,117	(1,848)	2,269
<b>Cash and cash equivalents, beginning of period</b>	512	45,558	46,070
<b>Cash and cash equivalents, end of period</b>	\$ 4,629	\$ 43,710	\$ 48,339

(Continued)

The accompanying notes are an integral part of the basic financial statements.



**TOWN OF CHENEYVILLE, LOUISIANA**

**Statement of Cash Flows (continued)  
Proprietary Funds  
For the Year Ended June 30, 2019**

	<u>SEWER SYSTEM</u>	<u>WATER SYSTEM</u>	<u>TOTAL</u>
Reconciliation of operating income(loss) to net cash <b>Provided (used) by operating activities:</b>			
Operating income (loss)	\$ (151,179)	\$ 123,792	\$ (27,387)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	143,017	104,044	247,061
(Increase) decrease in accounts receivable	1,533	4,508	6,041
Increase (decrease) in accounts payable	2,300	(10,990)	(8,690)
Increase (decrease) in accrued salaries payable	(720)	(720)	(1,440)
Increase (decrease) in accrued interest payable	-	79	79
Increase (decrease) in customer's deposits payable	-	<u>3,075</u>	<u>3,075</u>
Total adjustments	<u>146,130</u>	<u>99,996</u>	<u>246,126</u>
Net cash provided (used) by operating activities	<u>\$ (5,049)</u>	<u>\$ 223,788</u>	<u>\$ 218,739</u>

The accompanying notes are an integral part of the basic financial statements.

# TOWN OF CHENEYVILLE, LOUISIANA

Notes to Financial Statements  
June 30, 2019

## Note 1 - Summary of Significant Accounting Policies

### A. Financial Reporting Entity

The Town of Cheneyville (the Town) was incorporated in 1860 and is operated under the provision of the Lawrson Act. The Town operates under a Mayor and a five aldermen form of government. Services provided to the citizens of Cheneyville include, but are not limited to public safety ( police protection), streets, garbage and debris removal, cultural – recreation, public improvements, planning, zoning and general administrative services.

This report includes all funds and account groups of the Town of Cheneyville, Louisiana (the Town), which are controlled by, or dependent on the Town's executive and legislative branches. Control by or dependence on the Town wa determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight.

The accompanying financial statements of the Town have been prepared in accordance 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.

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

GASB standards establish criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

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

Based on the foregoing criteria, the Town does not have any component units to be reported.

The following is a summary of certain significant accounting policies and practices:

## TOWN OF CHENEYVILLE, LOUISIANA

Notes to Financial Statements (Continued)

June 30, 2019

### **B. Basis of Presentation**

The Town's basic financial statements consist of the government-wide statements on all activities of the government and the fund statements (individual major funds and combined nonmajor funds). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

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

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Town as an entity and the change in the aggregate financial position resulting from the activities of the fiscal period. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position and statement of activities include the financial activities of the overall governmental and business-type activities. Governmental activities represent programs which normally are supported by taxes and intergovernmental revenues. Business-type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 included in program revenues are reported instead as general revenues.

#### **Fund Financial Statements**

The Town uses funds, both major and nonmajor, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue and expenditures or expenses, as appropriate.

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Nonmajor funds (by category) or fund types are summarized into a single column in the basic financial statements.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision 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. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of the governmental and proprietary categories

## TOWN OF CHENEYVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

June 30, 2019

#### Governmental Funds

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service payments and claims and judgments are recorded only when payment is due. General asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

The Town reports the following major governmental fund:

General Fund - This fund is the general operating fund of the Town. It is used to account for all financial resources of the Town except for those required to be accounted in another fund.

#### Proprietary Funds

The Town reports one type of proprietary fund, an enterprise fund. Enterprise funds are used to account for operations (a) that financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in the government-wide financial statements and the major funds section of the basic financial statements. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting.

#### *Proprietary funds operating and non-operating revenues and expenses:*

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise 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 non-operating revenues and expenses.

Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The Town reports two enterprise funds, the Sewer and Water Funds:

Sewer Fund – The Sewer System is used to account for the wastewater operations of the Town and is supported by user fees.

## TOWN OF CHENEYVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

June 30, 2019

Water fund – The Water System is used to account for the distribution of drinkable water to the Town's citizens and is supported by user fees.

#### **C. Measurement Focus**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements, Basis of accounting refers to "when" revenues, expenditures, expenses, and transfers - and assets, deferred outflows of resources, liabilities, and deferred inflows of resources - are recognized in the accounts and reported in the financial statements,

##### *Measurement Focus*

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item, below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- All governmental funds utilize a "current financial resources" measurement focus, only current financial assets and liabilities are generally included on their balance sheets, their operating statements present sources and uses of available spendable financial resources during a given period, these funds use fund balance as their measure of available spendable financial resources at the end of the period,
- The proprietary fund utilizes an "economic resources" measurement focus, The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows, All assets and liabilities (whether current or noncurrent) associated with their activities are reported, Proprietary fund equity is classified as net position,

#### **D. Basis of Accounting**

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

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

## **TOWN OF CHENEYVILLE, LOUISIANA**

### Notes to Basic Financial Statements (Continued)

June 30, 2019

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are measurable and available only when cash is received by the government.

#### **E. Budgets and Budgetary Accounting**

The Town follows these procedures in establishing the budgetary data reflected in these financial statements.

1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to beginning of each fiscal year.
2. The public is notified that the proposed budget is available for inspection at the Town Hall in the official newspaper of the Town. The advertisement also makes citizens aware of the date, time and location of a public hearing concerning the proposed budget.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for a hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town. Budgeted amount are as originally adopted, or as amended from time to time by the Board of Aldermen.
7. Appropriations (unexpended budget balances) lapse at year end.

#### **F. Cash and Cash Equivalents and Investments**

Under state law, the Town may deposit in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or national banks having their principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the LAMP, a non-profit corporation formed by an initiative of the State Treasurer and organized under the Laws of the State of Louisiana, which operates as a local government investment pool.

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the

## **TOWN OF CHENEYVILLE, LOUISIANA**

### Notes to Basic Financial Statements (Continued)

June 30, 2019

purpose of the Statement of Cash Flows, cash equivalents include all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased.

The Town participates in the Louisiana Asset Management Pool, Inc. ("LAMP") which is an external investment pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

#### **G. Interfund Receivables and Payables**

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/due to other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

#### **H. Receivables**

In the government-wide statements, receivable consist of all revenue earned at year-end and not yet received. Major balances for governmental activities include sales and use taxes and intergovernmental payments.

Business – type activities report customer’s utility service receivables as the major receivable. Uncollectible utility service receivables 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.

#### **I. Capital Assets**

Under GASB Statement No. 34, capital assets, which include buildings, other improvements, machinery and equipment, vehicles, and furniture and fixtures, are reported and depreciated in the applicable government or business-type activities column of the governmental-wide financial statements. No long term capital assets or depreciation are shown in the governmental fund statements.

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated capital assets are recorded at their estimated fair market value at the date of donation. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. The Town maintains a threshold level of 500 or more for capitalizing capital assets.

Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows (in years):

**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)  
June 30, 2019

Buildings	26 to 40 years
Water System	4 to 40 years
Sewerage System	40 years
Gas Transmission and Distribution System	40 years
Office Equipment	3 to 10 years
Equipment	3 to 20 years
Vehicles	5 years

**J. Long-term Obligation**

In the government-wide statement of net position and in the proprietary fund type financial statements, long-term debt is reported as liabilities. The long-term debt consists of loans payable to United States Department of Agriculture (“USDA”).

**K. Compensated Absences**

Each employee may accumulate vacation and sick leave per annum. The number of days accumulated per year depends upon holiday and weekend time worked by the employees. Unused vacation and sick pay is lost at the end of each calendar year. The Town determines the accrual for compensated absences, which meet the following criteria:

1. The Town’s obligation relating to employee’s right to receive compensation for future absences is attributable to employee’s services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the Town’s compensated absences payable at June 30, 2019 is \$2,800.

**L. Restricted Assets**

Restricted assets include cash and interest-bearing deposits that are legally restricted as to their use by various contractual obligations, including grant agreements and bond covenants.

**M. Deferred Outflows and Inflows of Resources**

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until the future period in which it applies. In other instances, governments are required to delay recognition of increases in net position as revenues until the future period in which it applies. In these circumstances deferred outflows of resources and deferred inflows of resources result from the



## TOWN OF CHENEYVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

June 30, 2019

delayed recognition of expenditures or revenues, respectively. The Town has no deferred outflows and inflows of resources.

#### **N. Equity Classifications**

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

*Net investment in capital assets* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted assets* - consists of assets with constraints placed on their use either by (1) external groups such as creditors, grantor, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

*Unrestricted assets* - all other assets that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balances of the governmental funds are classified as follows:

*Nonspendable* - Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

*Restricted* - Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Committed* - Fund balance that can only be used for specific purposes determined by the Town's highest level of decision making authority. The Board of Aldermen is the highest level of decision making authority for the Town. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit the funds.

*Assigned* - Fund balance that is constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board of Aldermen. The Town's policy does not address assignment of fund balance.

*Unassigned* - Fund balance that are available for any purpose. These amounts are reported only in the general fund.

#### **O. Revenues, Expenditures, and Expense**

Operation revenues and expenses - for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, or investing activities.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)  
June 30, 2019

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds – By character
- Proprietary Funds – By operating and nonoperation

In the fund financial statements, governmental funds report expenditures of the financial resources. Proprietary funds report expenses relating to economic resources.

**P. Use of 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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Note 2 – Cash, Cash Equivalents and Investments**

**Cash and Cash Equivalents**

At June 30, 2019, the Town had cash and cash equivalents totaling \$107,771 as follows:

	Governmental Activities	Business-Type Activities	Totals
Petty Cash	\$ 100	\$ -	\$ 100
Demand deposits	45,618	9,700	55,318
Cash on hand	1,539	60	1,599
Restricted cash	12,175	38,579	50,754
Total	<u>\$ 59,432</u>	<u>\$ 48,339</u>	<u>\$ 107,771</u>

Demand deposits are stated at cost, which approximates market value. Custodial credit risk is the risk that in the event of the financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law these deposits (or resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of pledged securities plus federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balance of \$107,771 was fully secured by FDIC at June 30, 2019.

## TOWN OF CHENEYVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

June 30, 2019

#### Investments

The Town had restricted investments amounting to \$109,720 at June 30, 2019. Statutes authorize the Town to invest in United States bonds, treasury, notes or certificates, time certificates of deposit of Louisiana state banks and national banks having the principal office in the State of Louisiana. These investments are invested with the Louisiana Asset Management Plan (LAMP). LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5% disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days.
- Foreign currency risk: Not applicable.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the state of Louisiana has full access to the records of the LAMP.

LAMP issues financial reports. These financial reports can be obtained by writing: LAMP, Inc., 228 Saint Charles Avenue, Suite 1123, New Orleans, LA 70130 or contact the LAMP administrative office at 800-249-5267.

#### Note 3 – Receivables

Receivables as of June 30, 2019, are comprised of the following:

**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)  
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Franchise fees	\$ 520	\$ -	\$ 520
Fines and forfeitures	66,329	-	66,329
Charges for services	-	40,264	40,264
Allowance for bad debt	(16,712)	(6,040)	(22,752)
Total	<u>\$ 50,137</u>	<u>\$ 34,224</u>	<u>\$ 84,361</u>

**Note 4 – Restricted Assets**

The following details the description and amount of all restricted assets as recorded by the Town:

<u>Restricted Cash</u>	Governmental Activities	Business-Type Activities	Totals
LGAP grant account	\$ 289	\$ -	\$ 289
USDA/LGAP account	11,886	-	11,886
Meter Deposit Fund	-	38,579	38,579
Total	<u>\$ 12,175</u>	<u>\$ 38,579</u>	<u>\$ 50,754</u>

<u>Restricted Investments</u>	Governmental Activities	Business-Type Activities	Totals
Meter Deposits	\$ -	\$ 25,276	\$ 25,276
Reserve account	-	43,560	43,560
Deprecation and contingency	-	40,884	40,884
Total	<u>\$ -</u>	<u>\$ 109,720</u>	<u>\$ 109,720</u>

**Note 5 - Capital Assets**

Capital assets for the year ended June 30, 2019 are as follows:

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## TOWN OF CHENEYVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

June 30, 2019

	Balance 07/1/2018	Additions	Deletions	Balance 06/30/2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,406	\$ -	\$ -	\$ 37,406
Other capital assets:				
Buildings	277,582	-	-	277,582
Other improvements	754,091	19,895	-	773,986
Office furniture & equipment	31,993	3,495	-	35,488
Equipment	273,205	-	-	273,205
Vehicles	138,101	-	-	138,101
Totals	1,512,378	23,390	-	1,535,768
Less accumulated depreciation:				
Buildings	147,956	7,430	-	155,386
Other improvements	314,737	36,133	-	350,870
Office furniture & equipment	31,994	166	-	32,160
Equipment	236,824	9,527	-	246,351
Vehicles	83,858	20,390	-	104,248
Total accumulated depreciation	815,369	73,646	-	889,015
Governmental activities:				
Capital assets, net	\$ 697,009	\$ (50,256)	\$ -	\$ 646,753
	Balance 07/01/2018	Additions	Deletions	Balance 6/30/2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 45,323	\$ -	\$ -	\$ 45,323
Other capital assets:				
Buildings	3,159	-	-	3,159
Other improvements	406,542	-	-	406,542
Equipment	359,421	-	-	359,421
Distribution system	6,439,056	6,171	-	6,445,227
Vehicles	13,046	-	-	13,046
Totals	7,266,547	6,171	-	7,272,718
Less accumulated depreciation:				
Buildings	3,159	-	-	3,159
Other improvements	217,815	16,388	-	234,203
Equipment	213,487	28,000	-	241,487
Distribution system	4,152,014	202,673	-	4,354,687
Vehicles	13,046	-	-	13,046
Total accumulated depreciation	4,599,521	247,061	-	4,846,582
Business-type activities:				
Capital assets, net	\$ 2,667,026	\$ (240,890)	\$ -	\$ 2,426,136

**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)  
June 30, 2019

Depreciation expenses charged to governmental and business-type activities follows:

	Governmental Activities	Business-Type Activities
General government	\$ 9,487	\$ -
Police protection	15,307	-
Streets and sanitation	47,066	-
Recreation	1,786	-
Sewer system	-	143,017
Water system	-	104,044
Totals	\$ 73,646	\$ 247,061

**Note 6 - Internal Balances**

Interfund receivables and payables are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 258,158	\$ 1,923
Sewer Fund	37,116	97,993
Water Fund	1,923	197,281
Total	\$ 297,197	\$ 297,197

**Note 7 - Ad Valorem Taxes**

The Town collects property taxes on assessed values of property within its corporate limits. The taxes attach as an enforceable lien as of January 1<sup>st</sup> of each year. For the year ended June 30, 2019, taxes of 8.75 mills were levied on property with assessed valuation total \$1,701,643 and were dedicated for general maintenance.

**Note 8 – Payroll and Other Accrued Expenses**

Payroll and other accrued expenses of \$43,274 as of June 30, 2019, are comprised of the following:

	Governmental Activities	Business-Type Activities	Total
Accrued payroll expense	\$ 42,436	\$ -	\$ 42,436
Accrued interest payable	-	838	838
Total	\$ 42,436	\$ 838	\$ 43,274

**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)

June 30, 2019

**Note 9 - Long-Term Debt**

The following is a summary of long-term obligation transactions for the year ended June 30, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
1993 Water Revenue Bonds	\$ 144,410	\$ -	\$ 8,382	\$ 136,028	\$ 8,671
2004 Water Revenue Bonds	<u>710,387</u>	<u>-</u>	<u>15,317</u>	<u>695,070</u>	<u>15,344</u>
Total	<u>\$ 854,797</u>	<u>\$ -</u>	<u>\$ 23,699</u>	<u>\$ 831,098</u>	<u>\$ 24,015</u>

Water Revenue Bonds:

\$256,000 of Water Revenue Bonds dated June 23, 1993, due in monthly serial installments of \$1,300 through October 2030; bearing interest at a rate of 5.25%. \$ 136,028

The water revenue bonds described above are secured by a pledge of the water revenues of the Town.

\$850,000 of Water Revenue Bonds dated September 13, 2004, due in monthly installments of \$3,859 through July 2044; bearing interest at a rate of 4.5%. 695,070

The above bond issue is secured by a pledge of income and revenues of the Water System, after provision has been made for payment of all reasonable and necessary expenses of operating and maintain the System

Total \$ 831,098

Interest cost incurred in the Water fund for the year ended June 30, 2019 was \$38,293

The annual requirement to amortize all debt outstanding at June 30, 2019, including interest payments are as follows:

**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)

June 30, 2019

**Water Revenue Bond - 1993**

<u>Year ending September 30,</u>	Interest and Fees	Principal	Total Debt Service
2020	\$ 6,935	\$ 8,671	\$ 15,606
2021	6,468	9,137	15,605
2022	5,977	9,628	15,605
2023	5,459	10,146	15,605
2024	4,914	10,692	15,606
2025-2029	15,298	62,730	78,028
2030-2031	1,174	25,024	26,198
Total	<u>\$ 46,225</u>	<u>\$ 136,028</u>	<u>\$ 182,253</u>

**Water Revenue Bond - 2004**

<u>Year ending September 30,</u>	Interest and Fees	Principal	Total Debt Service
2020	\$ 30,964	\$ 15,344	\$ 46,308
2021	30,259	16,049	46,308
2022	29,522	16,786	46,308
2023	28,751	17,557	46,308
2024	27,944	18,364	46,308
2025-2029	126,265	105,275	231,540
2029-2033	99,758	131,782	231,540
2034-2038	66,575	164,965	231,540
2039-2044	25,047	208,948	233,995
Total	<u>\$ 465,085</u>	<u>\$ 695,070</u>	<u>\$ 1,160,155</u>

There are a number of limitations and restrictions contained in the various bond indentures. The following is a summary of the major restrictions in the use of funds as required by the bond indentures.

1. Flow of Funds: Restrictions on Use – Water Revenue Bonds - 1993

The revenues derived from the water user fees shall be allocated as follows:

- a) Each month on the 23<sup>rd</sup> of the month and amount equal to \$1,300 shall be paid to Farmer’s Home Administration in payment of principal and interest. The installments of principal and interest may be prepaid at any time.
- b) Each month, \$66 is required to be paid monthly into a separate fund entitled the “Revenue Bond Reserve Fund” until \$15,606 has been accumulated therein.



**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)  
June 30, 2019

- c) Also each month, \$70 shall be transferred into a separate bank account entitled “Depreciation and Contingency Fund”. Money in this fund may be used to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the water system. The monies may also be used to pay the principal and interest on the bonds if there are not sufficient funds in the other bond funds.
2. Flow of Funds: Restrictions on Use – Water Revenue Bonds - 2004
- a) Each month on the 23<sup>rd</sup> of the month and amount equal to \$3,859 shall be paid to Farmer’s Home Adiministration in payment of principal and interet. The installments of principal and interest may be prepaid at any time.
  - b) Each month, \$192 is required to be paid monthly into a separate fund entitled the “Revenue Bond Reserve Fund” until \$46,308 has been accumulated therein. The Reserve Fund is solely for the purpose of paying the principal of and the interest on bonds payable from the Debt Service Fund as to which there would otherwise be default.
  - c) Also each month, \$192 shall be transferred into a separate bank account entitled “Depreciation and Contingency Fund” until \$61,913 has bneen accumulated. After \$61,913 has been accumulated the payments increase to \$386. The Contingencies Fund is established to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System. The funds may also be used to pay the principal and interest on the bonds, the outstanding Parity Bonds and any additional Parit Bonds, for payment of which there is not sufficient money in the Debt Service or Reserve Fund.

**Note 10 – Comliane With Proprietary Bond Covenants**

- A. List of Elected Officials with pertinent information required by the Bond Covenants as of June30, 2019:

<u>Office Held</u>	<u>Address</u>	<u>Phone Number</u>	<u>Term of Office</u>	<u>Compensation</u>
Mayor:				
Derrick Johnson	505 Main Street	318-229-8947	Three Years	\$ 7,726
Aldermen:				
Marilyn Jones	P.O. Box 124	318-2792370	Three Years	2,056
Mickey Allen	P.O. Box 34	318-279-2461	Three Years	2,056
Rebecca Cook	P.O. Box 394	318-359-6848	Three Years	2,056
Charles Collins	P.O. Box 27	318-279-2682	Three Years	2,953
Frances Mitchell	P.O. Box 295	318-229-6685	Three Years	2,056

**TOWN OF CHENEYVILLE, LOUISIANA**

Notes to Basic Financial Statements (Continued)  
June 30, 2019

B. Water System Users at June 30, 2019.

	<u>Residents</u>	<u>Commercial</u>	<u>Total</u>
Utility Customers	403	29	432

C. Current Rates

Water rates in effect at June 30, 2019 for residential users are \$15.75 for the first 2,000 gallons used and \$2.32 per 1,000 gallons thereafter and \$26.6 for the first 2,000 gallons used and \$3.87 per 1,000 gallons thereafter for non-residents.

Commercial rates for business within the Town are \$34.35 for the first 5,000 gallons and \$2.32 per 1,000 gallons thereafter and \$49.85 for the first 5,000 gallons and \$3.87 per 1,000 thereafter for commercial business outside the Town limits.

**Note 11 – Retirement Commitments**

The town has no retirement commitments or pension plan for its employees. The employees are members of the Federal Social Security program.

**Note 12 – Contingencies and Commitments**

Litigation: The Town is a defendant in various lawsuits. Management and the Town's legal counsel believe that the probable outcome of these lawsuits will not materially affect the Town's financial position.

Grants and Loans: The Town receives federal, state and local grants and loans for specific purposes that are subject to audit by the funding agencies. Such audits could lead to requests for reimbursement to the agency for expenditures disallowed under terms of the agreement. It is the opinion of Town management that the Town's compliance with the terms of agreements will result in no disallowed costs.

Risk Management: The Town is exposed to risks of loss related to torts; theft of, damaged to, and destruction of assets; errors and omissions; Injuries to employees; and natural disasters. The Town carries commercial insurance for these risks settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CHENEYVILLE, LOUISIANA**

General Fund  
Budgetary Comparison Schedule (GAAP Basis)  
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 15,500	\$ 15,500	\$ 14,235	\$ (1,265)
Sales and Other Taxes	235,500	235,500	\$ 202,255	(33,245)
Licenses and Permits	20,000	20,000	20,484	484
Franchise Fees	31,000	31,000	24,614	(6,386)
Rent	6,000	6,000	4,220	(1,780)
Festivals and Other Celebrations	-	-	4,968	4,968
Donations	-	-	5,010	5,010
Fines and Forfeits	180,000	180,000	163,668	(16,332)
Garbage Collection Fees	70,000	70,000	56,730	(13,270)
Other	5,100	5,100	17,389	12,289
Total Revenues	563,100	563,100	513,573	(49,527)
<b>EXPENDITURES</b>				
General Government	177,630	177,630	473,999	(296,369)
Police Protection	180,450	180,450	37,465	142,985
Streets	145,220	145,220	45,291	99,929
Capital Outlay	-	-	23,390	(23,390)
Total Expenditure	503,300	503,300	580,145	(76,845)
<b>TRANSFERS IN (OUT)</b>	-	-	132,599	132,599
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	59,800	59,800	66,027	138,826
<b>FUND BALANCE, BEGINNING</b>	-	-	226,323	-
<b>FUND BALANCE, ENDING</b>	\$ 59,800	\$ 59,800	\$ 292,350	\$ 138,826

See Independent Auditors' Report.

**SUPPLEMENTARY INFORMATION**

**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Compensation, Benefits and Other Payments to Agency Head  
For the Year Ended June 30, 2019

Derrick Johnson, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 7,726
Benefits - Insurance	-
Benefits - Retirement	-
Car Allowance	-
Per diem	-
Reimbursements	4,908
Travel	2,226
Registration Fees	-
Conference Travel	<u>277</u>
Total Compensation, Benefits, and Other Payments to Agency Head	<u>\$ 15,136</u>

See Independent Auditors' Report.

TOWN OF CHENEYVILLE, LOUISIANA

Schedule of Insurance in Force  
For the Year Ended June 30, 2019

<u>Insurance Company</u>	<u>Policy Term</u>	<u>Policy Description</u>	<u>Policy Limits</u>	<u>Policy Number</u>
EMC Insurance	12/2/2019	Property Liability	\$411,749 Water Tower \$37,142 Generator \$95,509 Water Well \$10,612 Water Tower \$4,776 Chlorinator BLDG \$37,142 Fencing  \$42,448 Water Plant BLDG \$41,000 Personal Property \$98,820 Water Plant - Reservoir \$3,183 Motor Starter Well No.3 \$21,224 Line Shaft Vent Turbine Well No.3 Pump  \$2,123 Booster Pump Motor \$8,489 Booster Pump \$2,123 Booster Pump No.2 Motor/25 HP Motor \$7,429 Booster Electrical Pump - Pressure Trans chaser Duplex  \$12,735 Chlorinator System 36081 Old Town Hall Storage \$36,081 Waste Water Plant BLDG \$3,183 Rotor Drive Motor \$4,245 Ras Pump No.1 \$4,245 Ras Pump No.2 \$3,714 Ras Control Panel \$5,306 Effluent Pump  \$4,245 Sludge Filtrate Pump  \$2,123 Clarifier Drive No.1  \$2,123 Clarifier Drive No.2 \$2,123 Tertiary Clarifier Drive \$31,836 Chlorinator/ DE chlorinator \$8,489 Effluent Flowmeter \$4,245 Self Priming Non- Clog Pump	5A4-06-95-19

See Independent Auditors' Report.

**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Insurance in Force  
For the Year Ended June 30, 2019

<u>Insurance Company</u>	<u>Policy Term</u>	<u>Policy Description</u>	<u>Policy Limits</u>	<u>Policy Number</u>
			\$127,345 5Meter Belt Filter Press	
			\$1,167 Post Aeration Blower No.1	
			\$1,167 Post Aerostation Blower No.2	
			\$1,698 Sludge Tank Blower No.1	
			\$30,783 Sludge Tank Blower No.2	
			\$212,242 City Court & Senior Citizen Center	
			\$27,500 City Court & Senior Citizen Center	
			\$327,594 Daycare	
			\$62,612 Well No.1 Motor/Water Well	
			\$62, 612 Well No.2 Motor/ Water Well	
			\$28,653 Well No.1 & 2 Electrical & Control	
			\$142,447 City Hall Annex	
			\$42,448 Westside Storage BLDG	
			\$474,483 Town Hall/ Police Station	
			\$114,610 Lift Station 1	
			\$92,325 Lift Station 2	
			\$85,957 Lift Station 3	
			\$92,325 Lift Station No.4 Bayou Roads	
			\$11,461 Metal Storage Shed on Right	
			\$21,224 Lean to Shed for Equipment	
			\$31,836 Storage Shed on Right	
Travelers	10/29/2019	Crime Policy	\$26,530 Fenced Storage Shed in Middle \$5,000 Claim Expense	105510633
Louisiana Workers' Compensation Corporation	11/2/2019	Workers Compensation and Employers Liability Insurance Policy	\$1,000,000 Bodily Injury by Accident \$1,000,000 Bodily Injury by Disease \$1,000,000 Bodily Injury by Disease	163962-S

See Independent Auditors' Report.



**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**



# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

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

Honorable Derrick Johnson, Mayor  
and Members of the Board of Aldermen  
Town of Cheneyville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cheneyville, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Cheneyville, Louisiana's basic financial statements and have issued our report thereon dated March 17, 2020.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Cheneyville, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cheneyville, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cheneyville, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items [2019-01, 2019-02] to be material weaknesses.

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#### MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the accompanying schedule of findings and responses as item [2019-03] to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Cheneyville, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items [2019-04, 2019-05, 2019-06, 2019-07, 2019-08, 2019-09, 2019-10, 2019-11].

### **Town of Cheneyville, Louisiana's Response to Findings**

The Town of Cheneyville, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Cheneyville, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*J. Walker & Company, APC*

Lake Charles, Louisiana

March 17, 2020



# TOWN OF CHENEYVILLE, LOUISIANA

## Schedule of Findings and Responses For the Year Ended June 30, 2019

### **I Summary of Auditors' Results**

#### a. Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Town of Cheneyville, Louisiana.
2. There were two (2) material weakness disclosed during the audit of the financial statements and reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There was one (1) significant deficiency disclosed during the audit of the financial statements and reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
4. There were eight (8) instances of noncompliance that are reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

#### b. Federal Awards

N/A

#### c. Management Letter

No management letter was issued in connection with the audit for the year ended June 30, 2019.

## TOWN OF CHENEYVILLE, LOUISIANA

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

### II Findings- Financial Statement Audit

#### Audit Finding Reference Number

#### 2019-01- Preparation of Financial Statements

#### Fiscal Year Finding Originated: 2019

#### Condition

The Town does not have any employees with the knowledge and skill, nor have they engaged a third party who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

#### Criteria

*Government Auditing Standards*, issued by Comptroller General of the United States requires governmental units to have employees or engage a third party who has the qualifications and training to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes.

#### Cause

Management did not engage a third party capable of producing GAAP basis financial statements.

#### Effect

The lack of ability to generate GAAP basis financial statements on the part of the Town resulted in the auditor assisting in the preparation of the financial statements.

#### Recommendation

The Town should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

#### Response

See Management's response letter.

**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

**2019-02-Accounting Process**

**Fiscal Year Finding Originated: 2019**

**Condition**

The Town failed to take all steps necessary to ensure that an effective structure of internal control was in place and functioning in order to prevent or detect and correct material misstatements on a timely basis.

**Criteria**

*Government Auditing Standards* issued by Comptroller General of the United States requires that an adequate system of internal control be in place in order to safeguard assets and assure proper recording of transactions.

**Cause**

The cause relates to inadequate controls over the entire accounting process including but not limited to reconciliations, postings, verification and oversight.

**Effect**

The lack of adequate controls could allow for misappropriations of assets to occur and not be detected in a timely manner, also accounting records that are unable to be audited due to their incomplete, inaccurate, or unreliable state.

**Recommendation**

The Town should provide accounting staff with the necessary training and continuing education courses to ensure that accounting transactions are recorded in an accurate, complete, and timely manner to facilitate the efficient preparation of reliable financial statements.

**Response**

See Management's response letter.

**2019-03 - Inadequate Internals Control over Recordkeeping**

**Fiscal Year Finding Originated: 2019**

**Condition**

In many instances, requested supporting documentation for transactions recorded in the general ledger were unable to be located by Town staff.

**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

**2019-03 - Inadequate Internals Control over Recordkeeping, continued**

**Criteria**

Valid and complete supporting documentation should be properly maintained for all transactions.

**Cause**

The Town does not have the proper procedures in place to ensure that all documentation that is pertinent to the accounting records are adequately stored and easily retrievable upon request.

**Effect**

Due to a change in personnel, and new personnel being given the task of maintaining the accounting records without being given the proper training, there were many requests for documents to substantiate the accuracy, classification, and validity of entries posted within the general ledger. Many of the requested documents were unable to be located by Town staff upon request, thus resulting in further audit procedures and prolonging the audit engagement.

**Recommendation**

Management should develop systems and techniques to strengthen internal controls over recordkeeping to ensure that financial reports are prepared more accurately and timely.

**Response**

See Management's response letter.

**2019-04 – Timely Filing of Audit Report**

**Fiscal Year Finding Originated: Unknown**

**Condition**

Not in compliance with La. RS 24:513.

**Criteria**

Louisiana RS 24:513 requires the audit and financial report to be completed and filed with the Legislative Auditor's office within six months after the close of the Town's fiscal year.

**Cause**

Requests for supporting documentation to complete necessary audit procedures were not received in a timely manner.

**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

**2019-04 – Timely Filing of Audit Report, continued**

**Effect**

The Town was not in compliance with Louisiana statutes for completion of the annual audit engagement. As a result, the Town was placed on the State's noncompliance list.

**Recommendation**

The Town should implement more effective internal controls over year-end closing and financial reporting procedures to ensure future engagements will be submitted in accordance with State guidelines.

**Response**

See Management's response letter.

**2019-05 – Filing of Payroll Tax Forms**

**Fiscal Year Finding Originated: 2018**

**Condition**

Federal Forms 941 were timely filed, but the State Withholding Forms were not timely filed.

**Criteria**

Payroll tax forms are required to be filed quarterly by Federal and State Law.

**Cause**

Town Clerk was not aware that the State Withholding returns were required to be filed.

**Effect**

The failure to file the returns was in violation of State Payroll Tax Law.

**Recommendation**

The Mayor or a council member should check to make sure the returns are timely filed.

**Response**

See Management's response letter.



**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

**2019-06 – Deposit of Payroll Taxes**

**Fiscal Year Finding Originated: 2018**

**Condition**

Failure to make timely deposits caused the Town to be in violation of Federal and State laws.

**Criteria**

Federal and State Law requires payroll taxes to be timely paid. The Town failed to make timely deposits.

**Cause**

The Town had a former Town Clerk filing the returns and overseeing the payroll tax deposits. During the past fiscal year, the former Town Clerk was no longer available to provide this service and did not instruct the current Town Clerk on what needed to be done.

**Effect**

The Town received a Notice of Intent to Levy and Notice of Hearing in December of 2019, and currently remains in delinquent status with the Internal Revenue Service.

**Recommendation**

The Town should continue making the necessary tax deposits to the IRS to catch up on the delinquent billings. Management should also ensure that required staff are aware of the procedures to make the required tax deposits, as well as monitor the payments on a monthly basis to ensure compliance and the accuracy of the payments remitted.

**Response**

See Management's response letter.

**2019-07 – Unclaimed Property**

**Fiscal Year Finding Originated: 2019**

**Condition**

The Town regularly receives unclaimed property when refunds of water meter deposits are returned as undeliverable. The Town likely has an unrecorded liability owed to the state as a result of the unclaimed property.

## **TOWN OF CHENEYVILLE, LOUISIANA**

### Schedule of Findings and Responses (Continued) For the Year Ended June 30, 2019

#### **2019-07 – Unclaimed Property, continued**

##### **Criteria**

State of Louisiana Revised Statute 9:159-160 requires that unclaimed property be reported and remitted to the state treasurer on an annual basis.

##### **Cause**

The Town does not have written policies and procedures to report unclaimed property to the state in order to ensure compliance with laws and regulations.

##### **Effect**

The result of the Town failing to remit unclaimed property is a violation of state law.

##### **Recommendation**

We recommend that the Town implement written policies and procedures to ensure that unclaimed property such as returned checks are properly maintained, reported, and remitted to the state in compliance with state law. The Town should also perform the appropriate reconciliations and reviews to attempt to determine the full amount owed to the state.

##### **Response**

See Management's response letter.

#### **2019-08 – Participation in Louisiana Municipal Police Retirement System**

##### **Fiscal Year Finding Originated: 2019**

##### **Condition**

The police chief and police officers do not participate in the Louisiana Municipal Police Employees Retirement System (MPERS) as required by R.S. 11:2214, and no documentation is on file indicating that individual police officers chose to "opt-out" of the system as allowed by R.S. 11:157.

##### **Criteria**

R.S. 11:214 and R.S. 11:157 require all police officers to participate in MPERS or be given the option to "opt-out" of participation.

##### **Cause**

The administration was unaware of the requirement that the Town offer and document officer's participation or refusal of participation in the retirement system.

## TOWN OF CHENEYVILLE, LOUISIANA

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

### **2019-08 – Participation in Louisiana Municipal Police Retirement System, continued**

#### **Effect**

The Town is not in compliance with state laws, and it is indeterminable as to whether there is a potential liability to the Town.

#### **Recommendation**

In accordance with R.S. 11:2214 and R.S. 11:157, all police officers should be given the opportunity to participate in MPERS or should be given the option to opt-out of participation. Documentation should be maintained for each police officer evidencing either participation in the retirement system or the employee's decision to "opt-out" of the system.

#### **Response**

See Management's response letter.

### **2019-09 – Noncompliance with Local Government Budget Act**

#### **Fiscal Year Finding Originated: 2019**

#### **Condition:**

As a result of not receiving adequate documentation, we were unable to determine if the budget for the current period under audit was formally adopted and made available for public inspection.

#### **Criteria:**

The Louisiana Government Budget Act ("LGBA"), which is found in R.S. 39:1301-1315, directs political subdivisions of the State as to the manner in which the budget of political subdivisions shall be adopted, implemented, and amended. In addition, the LGBA directs political subdivisions of the State to revise their budget whenever budgeted resources are failing to meet actual by more than five percent.

#### **Cause:**

A valid reason was not obtained as to why management did not comply with the Local Government Budget Act.

#### **Effect:**

The Town is not in compliance with the Local Government Budget Act.

#### **Recommendation:**

Management should strictly comply with all provisions of the LGBA. The Town's annual budget should contain all required information and should also be amended whenever budgeted resources are failing to meet actual by more than five percent.

**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

**2019-09 – Noncompliance with Local Government Budget Act, continued**

**Response**

See Management's response letter.

**2019-10 – Failure to Meet Bond Reserve Requirements**

**Fiscal Year Finding Originated: 2019**

**Criteria:**

The Town's 1993 Water Revenue Bond indenture requires \$15,606 to be held in a reserve account, and the Town's 2004 Water Revenue Bond indenture requires \$108,221 to be held in reserves.

**Condition:**

It was noted that the Town's 1993 Water Revenue Bond failed to meet the reserve requirement by \$15,606. Also, the Town's Series 2004 Water Revenue Bond failed to meet the reserve requirement by \$2,747 in their Revenue Bond Reserve Fund, and by \$21,029 in their Depreciation and Contingency Fund. The Town is also required to make annual payments of \$1,632 towards their Series 1993 Bonds of which only a total \$544 was identified. The Series 2004 Bonds require annual payments of \$4,608, of which only a total of \$1,536 was identified.

**Cause:**

There cause appears to be due to a change in accounting personnel during the period under audit.

**Effect:**

By failing to meet the reserve requirements, the Town is not in compliance with its bond covenants.

**Recommendation:**

The Town should ensure compliance. The Town should review their bond covenants to become familiar with the terms, payments, and reserve requirements outlined in the original agreement. The Town should also incorporate written policies and procedures to ensure that all job duties and requirements are properly documented for changes in personnel.

**Response**

See Management's response letter.

**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2019

**2019-11 – Quarterly Audit of Traffic Tickets**

**Fiscal Year Finding Originated: 2019**

**Criteria:**

R.S. 32:398.3(B), which states, “Each record of traffic citations required in this Part shall be audited quarterly by the appropriate fiscal officer of the governmental agency to which the traffic enforcement agency is responsible” and R.S. 33:422, which states, in part, “The clerk shall be the auditor of the municipality.”

**Condition:**

The Town clerk is not performing a quarterly audit traffic tickets as statutorily required.

**Cause:**

Management of the Town has not provided oversight to ensure this function is being performed.

**Effect:**

The Town is not in compliance with Louisiana laws.

**Recommendation:**

The Town should comply with the R.S. 32:398.3(B) and R.S. 33:422, which states that the Town Clerk should conduct quarterly audits of the traffic ticket process.

**Response**

See Management’s response letter.

## TOWN OF CHENEYVILLE, LOUISIANA

Summary of Prior Year Findings  
For the Year Ended June 30, 2019

### III. Summary of Prior Year Findings

#### 2018-01 – Compliance

Condition:

Not in compliance with La. RS 24:513

Management's Response:

The Town needs to seek and engage an auditor in advance of the fiscal year end.

Current Status:

Unresolved, see finding 2019-04.

#### 2018-02 – Filing of Payroll Tax Forms

Condition:

Federal Forms 941 were timely filed; however, State Withholding Forms were not timely filed.

Management's Response:

The Mayor or a council member will verify that the returns are timely filed.

Current Status:

Unresolved, see finding 2019-05

#### 2018-03 – Deposit of Payroll Taxes

Condition:

Failure to make deposits caused the Town to be in violation of Federal and State Laws.

Management's Response:

Some members of the Administration will monitor tax deposits to ensure they are being made in a timely manner.

Current Status:

Unresolved, see finding 2019-06

# TOWN OF CHENEYVILLE

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**Mayor**

Derrick Johnson

**Town Attorney**

Gregory L. Jones

**Police Chief**

Julius Mays

**Interim Municipal Clerk**

Christopher Alfred

**Mayor Pro-Tempore**

Charles Collins

**Council Members**

Mickey Allen

Rebecca Cook

Marilyn Jones

Francis Mitchell

March 30, 2020

## **Corrective Action Plan**

### **2019-01- Preparation of Financial Statements**

**Recommendation**

The Town should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

**Response**

Management and governance will meet to decide if it is in the best interest of the Town to engage an external accountant to assist with monthly reviews and reconciliations, as well as to assist with the preparations for our annual audit engagements.

### **2019-02-Accounting Process**

**Recommendation**

The Town should provide accounting staff with the necessary training and continuing education courses to ensure that accounting transactions are recorded in an accurate, complete, and timely manner to facilitate the efficient preparation of reliable financial statements.

**Response**

The Town is dedicated to providing training and continuing education to staff to ensure that our workforce is knowledgeable in their respective areas. The Town will continue to work on the development of the Town's accounting personnel to ensure that transactions are recorded accurately, completely, and in a timely manner.

### **2019-03 - Inadequate Internals Control over Recordkeeping**

Management should develop systems and techniques to strengthen internal controls over recordkeeping to ensure that financial reports are prepared more accurately and timely.

Historic Cheneyville

"This institution is an equal opportunity provider."

**Response**

The Town is working to establish and implement records retention policies and procedures to ensure that documentation is maintained and adequately filed for all accounting transactions, as well as for all matters relevant to the operations of the Town.

**2019-04 – Timely Filing of Audit Report**

**Recommendation**

The Town should implement more effective internal controls over year-end closing and financial reporting procedures to ensure future engagements will be submitted in accordance with State guidelines.

**Response**

Management will take proactive steps to ensure the accounting records are maintained in auditable condition, and to ensure that supporting documentation is readily available in order to assist in facilitating a more expedient audit engagement.

**2019-05 – Filing of Payroll Tax Forms**

**Recommendation**

The Mayor or a council member should check to make sure the returns are timely filed.

**Response**

The Mayor or a Council member will verify that the returns are filed timely.

**2019-06 – Deposit of Payroll Taxes**

**Recommendation**

The Town should continue making the necessary tax deposits to the IRS to catch up on the delinquent billings. Management should also ensure that required staff are aware of the procedures to make the required tax deposits, as well as monitor the payments on a monthly basis to ensure compliance and the accuracy of the payments remitted.

**Response**

A member of the Administration will monitor tax deposits to ensure they are being made in a timely manner.

**2019-07 – Unclaimed Property**

**Recommendation**

We recommend that the Town implement written policies and procedures to ensure that unclaimed property such as returned checks are properly maintained, reported, and remitted to the state in compliance with state law. The Town should also perform the appropriate reconciliations and reviews to attempt to determine the full amount owed to the state.

**Response**

The Town will present this matter to Council for the adoption of a policy and procedure for submitting all unclaimed property to the Secretary of Treasury's office.

**2019-08 – Participation in Louisiana Municipal Police Retirement System**

**Recommendation**



In accordance with R.S. 11:2214 and R.S. 11:157, all police officers should be given the opportunity to participate in MPERS or should be given the option to opt-out of participation. Documentation should be maintained for each police officer evidencing either participation in the retirement system or the employee's decision to opt-out of the system.

**Response**

The Town will implement policies governing personnel files to ensure that all current and future police officers will be provided the adequate documentation to either participate or opt-out of the Louisiana Municipal Police Retirement System.

**2019-09 – Noncompliance with Local Government Budget Act**

**Recommendation:**

Management should strictly comply with all provisions of the LGBA. The Town's annual budget should contain all required information and should also be amended whenever budgeted resources are failing to meet actual by more than five percent.

**Response**

Management will take necessary steps in the future to ensure compliance with the Local Government Budget Act.

**2019-10 – Failure to Meet Bond Reserve Requirements**

**Recommendation:**

The Town should ensure compliance. The Town should review their bond covenants to become familiar with the terms, payments, and reserve requirements outlined in the original agreement. The Town should also incorporate written policies and procedures to ensure that all job duties and requirements are properly documented for changes in personnel.

**Response**

Management will ensure all current and future payments are made in accordance with the bond covenants to fund the debt service reserve accounts to their required levels. We will also develop the necessary policies and procedures to guide personnel on the disbursement procedures for monthly bond payments, as well as monitor activities on a monthly basis to ensure payments are made in compliance with the bond covenant.

## **2019-11 – Quarterly Audit of Traffic Tickets**

### **Recommendation:**

The Town should comply with the R.S. 32:398.3(B) and R.S. 33:422, which states that the Town Clerk should conduct quarterly audits of the traffic ticket process.

### **Response**

Management will work with the Town's Clerk to develop a schedule, and procedures to ensure quarterly audits of traffic tickets are conducted and documented in compliance with the state's statutes.

## **Statewide Agreed Upon Procedures**



# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Derrick Johnson  
Town of Cheneyville  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Cheneyville and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Town's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

***We performed the above procedure and noted the following exceptions:***

**There was no budgeting policy provided.**

**Management Response: See Management's response letter.**

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

***We performed the above procedure and noted the following exceptions:***

**There was no purchasing policy provided.**

**Management Response: See Management's response letter.**

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#### MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

*We performed the above procedure and noted the following exceptions:*

**There was no disbursements policy provided.**

**Management Response: See Management's response letter.**

- d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*We performed the procedures above and noted no exceptions.*

**There was no receipts/collections policy provided.**

**Management Response: See Management's response letter.**

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

*We performed the procedures above and noted no exceptions.*

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

*We performed the above procedures and noted the following exceptions:*

**There was no contracting policy provided.**

**Management Response: See Management's response letter.**

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

*We performed the procedures above and noted no exceptions.*



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

***We performed the procedures above and noted no exceptions.***

- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

***We performed the procedures above and noted no exceptions.***

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

***We performed the above procedure and noted the following exceptions:***

**There was no debt service policy provided.**

**Management Response: See Management's response letter.**

- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

***We performed the above procedure and noted the following exceptions:***

**There was no disaster recovery/business continuity policy provided.**

**Management Response: See Management's response letter.**

***Board or Finance Committee***

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- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

***We performed the procedure above and noted no exceptions.***



- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

*We performed the above procedure and noted the following exceptions:*

**There was no reference to the budget in the minutes.**

**Management Response: See Management's response letter.**

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*General fund does not reflect a negative ending year unrestricted fund balance in the prior year audit report; therefore, no procedures performed.*

#### **Bank Reconciliations**

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*We performed the above procedure and noted the following exceptions:*

**Bank reconciliations were not prepared within 2 months of the related statement closing date.**

**Management Response: See Management's response letter.**

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*We performed the above procedure and noted the following exceptions:*

**The Town Clerk completes bank reconciliations as well as reviews them. Also, the Town Clerk handles cash, post ledgers, and issues checks.**

**Management Response: See Management's response letter.**



- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*We performed the above procedure and noted the following exceptions:*

### ***Collections***

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*We performed the procedure above and noted the following exceptions:*

**Employees that are responsible for cash collections do share cash drawers/registers.**

**Management Response: See management's response letter.**

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*We performed the procedure above and noted the following exceptions:*

**One employee is responsible for collecting cash and making bank deposits. Therefore, there is an inadequate segregation of duties.**

**Management Response: See Management's response letter.**





- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*We performed the procedure above and noted the following exceptions:*

**One employee is responsible for collecting cash and posting collection entries to the general ledger. Therefore, there is an inadequate segregation of duties.**

**Management Response: See Management's response letter.**

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*We performed the procedure above and noted the following exceptions:*

**One employee is responsible for reconciling cash collections to the general ledger and collecting cash. Therefore, there is an inadequate segregation of duties.**

**Management Response: See Management's response letter.**

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*We performed the procedure above and noted no exceptions.*

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*We performed the procedure above and noted no exceptions.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*We performed the procedure above and noted no exceptions.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*We performed the procedure above and noted no exceptions.*



- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*We performed the above procedure and noted the following exceptions:*

**2 out of the 10 deposits selected were not made within one business day of receipts at the collection location.**

**Management Response: See Management's response letter.**

- e) Trace the actual deposit per the bank statement to the general ledger.

*We performed the procedure above and noted no exceptions.*

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*We performed the above procedure and noted the following exceptions:*

**No evidence that purchase orders was used for the Town.**

**Management Response: See Management's response letter.**

- b) At least two employees are involved in processing and approving payments to vendors.

*We performed the above procedure and noted the following exceptions:*

**One employee is involved in processing and approving payments to vendors.**

**Management Response: See Management's response letter.**



- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*We performed the above procedure and noted the following exceptions:*

**One employee is responsible for processing payments is prohibited from adding/modifying vendor files.**

**Management Response: See Management's response letter.**

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*We performed the above procedure and noted the following exceptions:*

**One employee mails payment and processes them.**

**Management Response: See Management's response letter.**

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

*We performed the procedure above and noted no exceptions.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*We performed the above procedure and noted the following exceptions:*

**There was no disbursement documentation provided to show there were a proper segregation of duties.**

**Management Response: See Management's response letter.**

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement



or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

*We performed the procedure above and noted no exceptions.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*We performed the above procedure and noted following exceptions:*

**Late fees were assessed in the month of December 2018 on the selected statements.**

**Management Response: See Management's response letter.**

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*We performed the procedure above and noted no exceptions.*

**Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*We performed the procedure above and noted no exceptions.*



- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*We performed the procedure above and noted no exceptions.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*We performed the procedure above and noted no exceptions.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*We performed the above procedure and noted no exceptions.*

#### ***Contracts***

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- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*We performed the procedure above and noted no exceptions.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*We performed the procedure above and noted the following exceptions:*

**4 out of the 5 contracts selected had no written contracts in place.**

**Management Response: See Management's response letter.**

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*The contract provided was not amended. Therefore, no procedures were performed.*



- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*We performed the procedure above and noted the following exceptions:*

**4 out of the 5 contracts selected had no written contracts in place. Therefore, we were unable to agree invoices to the contract terms. No exceptions noted for the 1 contract provided.**

**Management Response: See Management's response letter.**

### *Payroll and Personnel*

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*We performed the procedure above and noted no exceptions.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*We performed the procedure above and noted no exceptions.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*We performed the procedure above and noted no exceptions.*

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*We performed the procedure above and noted no exceptions.*

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers'



compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*We performed the procedure above and noted no exceptions.*

### ***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*We performed the above procedures and noted the following exceptions:*

**No documentation provided to demonstrate that 5 out of the 5 selected officials and 5 out of the 5 selected employees completed one hour of ethics training during the fiscal period.**

**Management Response: See Management’s response letter.**

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

*We performed the above procedures and noted the following exceptions:*

**No documentation was provided to demonstrate that each employee and official attested through signature verification that he or she has read the town’s ethics policy during the fiscal period.**

**Management Response: See Management’s response letter.**

### ***Debt Service***

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21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*The Town did not issue new debt during the fiscal period. Therefore, these procedures are not applicable.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*We performed the procedures above and noted no exceptions.*



*Other*

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*We performed the procedure above and noted no exceptions.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*We performed the above procedure and noted following exceptions.*

**The Town does not have a website for posting the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste of abuse of public fund.**

**Management Response: See Management's response letter.**

This report is intended solely for the use of management of Town of Cheneyville and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by Legislative Auditor as a public document.

*J. Walker & Company, APC*

Lake Charles, Louisiana  
March 9, 2020





# TOWN OF CHENEYVILLE

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Police Department 318.279.2156 Fax 318.279.2766

**Mayor**  
Derrick Johnson  
**Town Attorney**  
Gregory L. Jones  
**Police Chief**  
Julius Mays  
**Interim Municipal Clerk**  
Christopher Alfred

**Mayor Pro-Tempore**  
Charles Collins

**Council Members**  
Mickey Allen  
Rebecca Cook  
Marilyn Jones  
Francis Mitchell

March 25, 2020

## Corrective Action Plan

Below is the Town's corrective action plan related to your recommendations for our financial practices:

### Written Policies and Procedures

- 1(a): The Town will update our written policies and procedures to include controls over the budgetary process to include preparation, adoption, monitoring, and amendments.
- 1(b): The Town will update our written policies and procedures to include controls over the purchasing process.
- 1(c): The Town will update our written policies and procedures to include controls over the processing, reviewing, and approving of disbursements.
- 1(d): The Town will update our written policies and procedures to include controls over the receipts/collections process.
- 1(f): The Town will update our written policies and procedures to include controls over contracting for services.
- 1(j): The Town will update our written policies and procedures to include controls over the debt service process.
- 1(k): The Town will update our manual to include a policy for disaster recovery/business continuity.

### Board or Finance Committee

- 2(b): The Town will ensure that financial statements and budget-to-actual comparative statements are provided to council members at all future meetings.

### **Bank Reconciliations**

- 3(a): Management will ensure all current and future bank reconciliations are completed within two months of the related statement closing date.
- 3(b): Management is working to segregate duties amongst staff, as well as incorporating policies and procedures to ensure that management reviews and approves all current and future bank reconciliations.

### **Collections**

- 5(a): Management is working to segregate duties amongst staff, as well as incorporating policies and procedures to ensure that employees that are responsible for collecting cash have separate drawers.
- 5(b): Management is working to strengthen to the control environment to divide responsibilities amongst staff members.
- 5(c): Management is working to strengthen internal controls over cash collections to ensure there is an adequate segregation of duties.
- 5(d): Management is working to strengthen internal control over cash collections to ensure there is an adequate segregation of duties.
- 7(d): The Town will update our written policies and procedures to include controls which require that all deposits are made within one business day of receipt.

### **Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

- 9(a): Management is working to strengthen internal controls over cash disbursements to include the use of purchase orders which are required to be approved before a payment is made.
- 9(b): Management is working to strengthen internal controls over cash disbursements to ensure that at least two employees are involved in the processing and approving of payments to vendors.
- 9(c): Management is working to segregate duties amongst staff, as well as incorporating policies and procedures to ensure that employees that are responsible for processing payments are prohibited from access to additions and modifications to vendor files.
- 9(d): Management is working to segregate duties amongst staff, as well as incorporating policies and procedures to ensure that payments are mailed by someone other than the person responsible for processing the payments.
- 10(b): Management is working to strengthen internal controls over cash disbursements to include the use of disbursement documentation in the form of purchase orders which will include evidence of the segregation of duties.

### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

- 12(b): Management will work diligently to ensure that all future payments are made in a timely manner to negate receiving any late fees or finance charges.

**Contracts**

- 15(b): The Town will update our written policies and procedures to include controls over contracting for services.
- 15(d): The Town will update our written policies and procedures to include controls over contracting for services.

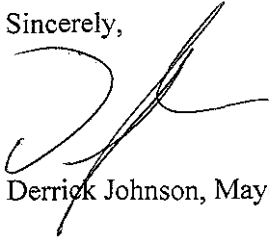
**Ethics**

- 20(a): The Town will update our written policies to include the requirement that all employees and officials complete one hour of ethics training during the fiscal period.
- 20(b): The Town will ensure that all current and future employees attest through signature verification that they read the town's ethics policy during the fiscal year.

**Other**

- 24: The Town will download and print the notice required by R.S. 24:523.1 and post it at Town Hall.

Sincerely,



Derrick Johnson, Mayor



# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Derrick Johnson, Mayor  
Members of the Board of Aldermen  
Town of Cheneyville, Louisiana

We have performed the procedures enumerated below, which were agreed to by Town of Cheneyville, Louisiana, on the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Town of Cheneyville LCDBG Sewer Treatment Project as of and for the year ended June 30, 2019. The Town of Cheneyville is responsible for the presentation of the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Town of Cheneyville's LCDBG Sewer Treatment Project as of and for the year ended June 30, 2019 in accordance with accounting standards generally accepted in the United States of America. The sufficiency of these procedures is solely the responsibility of the Town of Cheneyville, Louisiana. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Trace balances per the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Town of Cheneyville's LCDBG Street Improvements Project as of and for the year ended June 30, 2019 to the underlying records used in the audit of the financial statements of the Town of Cheneyville, Louisiana as of and for the year ended June 30, 2019.

*No exceptions were noted.*

2. Verify the mathematical accuracy of the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Town of Cheneyville LCDBG Street Improvements Project as of and for the year ended June 30, 2019.

*No exceptions were noted.*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion on the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the LCDBG Street Improvement Project as of and for the year ended June 30, 2019. Accordingly, we do not

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### MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Cheneyville, Louisiana and is not intended to be and should not be used for any other purpose.

*J. Walker & Company, APC*

Lake Charles, Louisiana  
March 17, 2020



**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Net Position

June 30, 2019

Town of Cheneyville LCDBG Sewer Treatment Project

**ASSETS**

Cash and cash equivalents	\$	1,053
Capital Assets, net		<u>722,342</u>
Total assets		<u><u>723,395</u></u>

**LIABILITIES**

Accounts Payable		<u>1,500</u>
Total liabilities		<u><u>1,500</u></u>

**NET POSITION**

	\$	<u><u>721,895</u></u>
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**TOWN OF CHENEYVILLE, LOUISIANA**

Schedule of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2019  
Town of Cheneyville LCDBG Sewer Treatment Project

Revenues:		
LCDBG Program	\$	9,770
LCDBG Program Income		-
Local Contribution		408
Other		-
Interest		-
Total Revenues		<u>10,178</u>
Expenses:		
Administration		408
Acquisition		-
Engineering		-
Construction		9,770
Depreciation		18,803
Laboratory Services		-
Construction Inspection		-
Construction Contingencies		-
Total Expenses		<u>28,981</u>
Excess (Deficiency) of Revenues over Expenses		<u>(18,803)</u>
Other Financing Sources (Uses)		
Operating Transfer In		-
Operating Transfer Out		-
Total Other Financing Sources (Uses)		<u>-</u>
Change in net position		(18,803)
Net position, beginning		<u>740,698</u>
Net position, ending	\$	<u>721,895</u>