

**Village of Hosston
Hosston, Louisiana**

Financial Statement with Auditors' Report

As of and for the Year Ended December 31, 2020

Village of Hosston
Hosston, Louisiana

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Independent Auditors' Report

To the Honorable Kimberly Jaynes, Mayor
and the Village Council
Village of Hosston, Louisiana
Hosston, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hosston, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Hosston'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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Village of Hosston as of December 31, 2020, 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 on pages 23-24, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

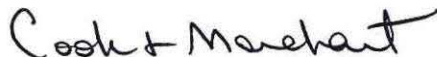
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hosston's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 25 – 27 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. As disclosed in Note 1 to the financial statements, the Village of Hosston prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The other supplementary information schedules, Justice System Funding Schedule, shown on pages 28, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule is presented to satisfy the requirements of Act 87 of the 2020 Regular Legislative Session (R.S. 24:515.2) and must be presented on the cash basis of accounting which differs significantly from those principles used to present financial statements in accordance with accounting principles generally accepted in the United States of America.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Justice System Funding Schedule, shown on page 28, is fairly stated in all material respects, in relation to the financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of Village of Hosston'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 solely 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 the effectiveness of the Village of Hosston's 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 Village of Hosston's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 28, 2021

Village of Hosston
Hosston, Louisiana
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 38,939	\$	\$ 38,939
Investments	326,496		326,496
Restricted cash	11,442		11,442
Receivables	23,931	62,465	86,396
Internal balances	(113,581)	113,581	
Capital assets, net			
Non-depreciable	23,857	3,262	27,119
Depreciable (net)	99,548	919,774	1,019,322
Total Assets	410,632	1,099,082	1,509,714
Liabilities			
Accounts payable		54,909	54,909
Customer deposits		11,442	11,442
Total liabilities		66,351	66,351
Net Position			
Net investment in capital assets	123,405	923,036	1,046,441
Unrestricted	287,227	109,695	396,922
Total net position	\$ 410,632	\$ 1,032,731	\$ 1,443,363

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	\$ 132,880	\$	\$ 9,368	\$	\$ (123,512)	\$	\$ (123,512)
Public works	44,388				(44,388)		(44,388)
Public safety	22,167	1,625	6,000		(14,542)		(14,542)
Total governmental activities	<u>199,435</u>	<u>1,625</u>	<u>15,368</u>		<u>(182,442)</u>		<u>(182,442)</u>
Business-type activities							
Water	130,851	97,753		446,338		413,240	413,240
Total business-type activities	<u>130,851</u>	<u>97,753</u>		<u>446,338</u>		<u>413,240</u>	<u>413,240</u>
Total government	<u>\$ 330,286</u>	<u>\$ 99,378</u>	<u>\$ 15,368</u>	<u>\$ 446,338</u>	<u>(182,442)</u>	<u>413,240</u>	<u>230,798</u>
General revenues:							
Franchise taxes					45,363		45,363
Investment earnings					7,226		7,226
Licenses and permits					58,816		58,816
Miscellaneous					169		169
Total general revenues and transfers					<u>111,574</u>		<u>111,574</u>
Changes in net position					(70,868)	413,240	342,372
Net position, beginning					481,500	619,491	1,100,991
Net position, ending					<u>\$ 410,632</u>	<u>\$ 1,032,731</u>	<u>\$ 1,443,363</u>

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Balance Sheet
Governmental Fund
December 31, 2020

Assets	<u>General</u>
Cash	\$ 38,939
Investments	326,496
Receivables	23,931
Restricted cash	<u>11,442</u>
Total Assets	<u><u>\$ 400,808</u></u>
Liabilities and Fund Balance	
Liabilities:	
Due to other fund	<u>\$ 113,581</u>
Total Liabilities	<u>113,581</u>
Fund balance	
Unassigned	<u>287,227</u>
Total Fund Balance	287,227
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>123,405</u>
Net Position of Governmental Activities	<u><u>\$ 410,632</u></u>

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2020

	General
Revenues:	
Franchise taxes	\$ 45,363
Interest earnings	7,226
Intergovernmental	15,368
Licenses and permits	58,816
Fines	1,625
Miscellaneous	169
Total Revenues	128,567
Expenditures:	
Current	
General government	121,945
Public works	44,388
Public safety	20,921
Total Expenditures	187,254
Net change in fund balance	(58,687)
Fund balance, beginning of year	345,914
Fund balance, end of year	\$ 287,227

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balance - governmental fund	\$	(58,687)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.</p>		(1,097)
<p>Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$11,084) exceeds capital outlay (\$0) in the current period.</p>		(11,084)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(70,868)</u>

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Statement of Net Position
Proprietary Fund
December 31, 2020

	Business-Type Activities Enterprise Fund	Water Fund
Assets		
Current assets		
Grant receivable	\$ 51,408	
Accounts receivable	11,057	
Due from other fund	113,581	
Total current assets	176,046	
Noncurrent assets		
Land	3,262	
Buildings and improvements	4,000	
Equipment and vehicles	46,085	
Water system	1,983,584	
Less: accumulated depreciation	(1,113,895)	
Total noncurrent assets	923,036	
Total assets	1,099,082	
Liabilities		
Current liabilities		
Accounts payable	54,909	
Customer deposits	11,442	
Total current liabilities	66,351	
Net position		
Net investment in capital assets	923,036	
Unrestricted	109,695	
Total net position	\$ 1,032,731	

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2020

	Business-Type Activities Enterprise Fund
	Water Fund
Operating Revenues	
Charges for services - water service charges	\$ 97,753
Total operating revenues	97,753
Operating Expenses	
Insurance	730
Miscellaneous	1,163
Office expense	1,285
Repair and maintenance	14,257
Safe drinking water fee	4,161
Supplies	7,488
Utilities	12,398
Depreciation	89,369
Total operating expenses	130,851
Income (loss) before contributions	(33,098)
Capital contributions	446,338
Change in net position	413,240
Total net position, beginning of year	619,491
Total net position, end of year	\$ 1,032,731

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2020

	Business-Type Activities Enterprise Fund
	Water Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 97,882
Payments to suppliers for goods and services	(37,981)
Net cash provided by operating activities	59,901
Cash Flows From Non-Capital Financing Activities	
Net change in interfund loans	(113,581)
Net cash (used in) non-capital financing activities	(113,581)
Cash flows from Capital and Related Financing Activities	
Acquisition / construction of capital assets	(436,961)
Capital contributions	436,961
Net cash (used in) capital and related financing activities	-
Net (decrease) in cash	(53,680)
Cash, beginning of year	53,680
Cash, end of year	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (33,098)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	89,369
Accounts receivable	(10,297)
Accounts payable	12,877
Customer deposits	1,050
Net cash provided by operating activities	\$ 59,901
Supplemental Schedule of Noncash Capital and Related Financing Activity:	
Capital assets acquired	\$ 446,339
Vendor payable for property and equipment	(9,378)
Cash paid for property and equipment	\$ 436,961

See accompanying notes to the basic financial statements.

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020

Introduction

The Village of Hosston, Louisiana (The Village) was incorporated in 1968, under the provisions of the Lawrason Act. The Village is located in the Parish of Caddo. Elected officials of the Village of Hosston are a mayor and three (3) alderman who are elected every four years.

Effective January 7, 2019, the Village accepted the donation and quitclaim deed of the Hosston-Mira Water System and began operating the water system at that time. Activity of the water system is reflected in the accompanying financial statements in the business-type activities-enterprise fund.

(1) Summary of Significant Accounting Policies

The Village of Hosston's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village of Hosston are discussed below.

A. Reporting Entity

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

GASB established criteria for determining which component units should be considered part of the Village of Hosston for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, there are no component units to be included as part of the reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The Village of Hosston's basic financial statements include both government-wide (reporting the funds maintained by the Village of Hosston as a whole) and fund financial statements (reporting the Village of Hosston's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's general fund is classified as governmental activities. The Village's water services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Village of Hosston's net position is reported in two parts – invested in capital assets, net of related debt, and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village of Hosston's functions. The functions are also supported by general government revenues (franchise taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water services.

The net costs (by function) are normally covered by general revenue (franchise taxes, license and permits, interest income, etc.).

This government-wide focus is more on the sustainability of the Village of Hosston as an entity and the change in the Village of Hosston's net assets resulting from the current year's activities.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Village of Hosston are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Village of Hosston:

1. Governmental Funds – the focus of the governmental funds’ measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Village of Hosston:
 - a. General fund is the general operating fund of the Village of Hosston. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Enterprise Fund – accounts for the provision of water services of the Village.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Village's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

F. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	5-39 years
Furniture and equipment	5-15 years
Water system	15-30 years

GASB requires the Village to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

G. Revenues

Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Franchise taxes and interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Village is entitled to the funds.

H. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

J. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

K. Bad Debts

The Village uses the direct charge-off method of accounting for sewer system receivables. Although this method is not in accordance with generally accepted accounting principles, the overall effect on the financial statements is immaterial.

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the governmental fund and government-wide financial statements.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

M. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Village considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

N. Fund Balance

GASB defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the Village Council (the Village's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen removes those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Mayor, an appointed body or official the Village Council has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.
5. Unassigned fund balance are the residual classification for the Village's general fund and include all spendable amounts not contained in the other classifications.

The Village's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

O. Postretirement Benefits

The Village provides no postretirement benefits to its employees.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

P. Compensated Absences

The Village provides for leave for its employees, but does not allow any carry forward of that time not used during the year.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the Village has no transactions that meet the definition of deferred outflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the Village has no transactions that meet the definition of deferred inflows of resources.

R. Fair Value Measurements

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

(2) On-Behalf Payments

The Village received a total of \$6,000 in police supplemental pay from the State of Louisiana. The Village recognizes this supplemental pay received by the employees as revenues and expenditures of the Village. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported as public safety expenditures.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

(3) Budgets

The Village follows the following budget practices:

Formal budgetary accounting is employed as a management control. Village of Hosston prepares and adopts a budget each year for its general and utility funds in accordance with Louisiana Revised Statutes. The Village's budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year. Budgets are adopted on a cash basis on all funds. All budget appropriations lapse at year end. There was one budget amendment during the year ended December 31, 2020.

(4) Cash, Cash Equivalents, and Investments

At December 31, 2020, the Village had cash, cash equivalents, and investments (book balances), totaling \$376,877, as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2020 (book balances) totaled \$50,381, of which \$11,442 is shown as a restricted asset. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

The investments are presented in the financial statements at fair value using level 2 fair value measure. Investments at December 31, 2020, consisted of certificates of deposit totaling \$326,496 with maturities greater than 90 days. The certificates of deposit are carried at cost, which approximates market.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2020, \$71,935 of the Village's bank balances totaling \$383,382 was exposed to custodial credit risk as uninsured and collateral held by pledging bank's trust department not in Village's name.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(5) Commitments

During the year ended December 31, 2019, the Village entered into construction, engineering, and consulting contracts totaling approximately \$491,665, for improvements to the water system. Funding for the improvements is being provided in part by a contract from the Louisiana Community Development Block Grant in the amount of \$491,700. As of December 31, 2020, approximately \$488,165 had been incurred on these contracts, with the balance remaining to be incurred subsequent to December 31, 2020.

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

(6) Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 23,857	\$	\$	\$ 23,857
Total capital assets, not being depreciated	<u>23,857</u>			<u>23,857</u>
Capital assets, being depreciated				
Buildings and other improvements	158,262			158,262
Equipment and vehicles	111,318			111,318
Furnishings and fixtures	10,869			10,869
Roads, parks, recreation	57,149			57,149
Total capital assets being depreciated	<u>337,598</u>			<u>337,598</u>
Less accumulated depreciation for:				
Buildings and other improvements	(89,117)	(4,146)		(93,263)
Equipment and vehicles	(76,796)	(5,752)		(82,548)
Furnishings and fixtures	(9,570)	(519)		(10,089)
Roads, parks, recreation	(51,483)	(667)		(52,150)
Total accumulated depreciation	<u>(226,966)</u>	<u>(11,084)</u>		<u>(238,050)</u>
Total capital assets being depreciated, net	<u>110,632</u>	<u>(11,084)</u>		<u>99,548</u>
Governmental activities capital assets, net	<u>\$ 134,489</u>	<u>\$ (11,084)</u>	<u>\$</u>	<u>\$ 123,405</u>

(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital assets, not being depreciated					
Land	\$ 3,262	\$	\$	\$	\$ 3,262
Construction in process	42,030			(42,030)	
Total capital assets, not being depreciated	<u>45,292</u>			<u>(42,030)</u>	<u>3,262</u>
Capital assets, being depreciated					
Buildings and other improvements	4,000				4,000
Equipment and Vehicles	46,085				46,085
Water system and improvements	1,495,215	446,339		42,030	1,983,584
	<u>1,545,300</u>	<u>446,339</u>		<u>42,030</u>	<u>2,033,669</u>
Less accumulated depreciation for:					
Buildings and other improvements	(800)	(800)			(1,600)
Water system and improvements	(1,023,726)	(88,569)			(1,112,295)
	<u>(1,024,526)</u>	<u>(89,369)</u>			<u>(1,113,895)</u>
Total capital assets being depreciated, net	<u>520,774</u>	<u>356,970</u>		<u>42,030</u>	<u>919,774</u>
Business-type activities capital assets, net	<u>\$ 566,066</u>	<u>\$ 356,970</u>	<u>\$</u>	<u>\$</u>	<u>\$ 923,036</u>

Depreciation expense for the year ended December 31, 2020 was charged as follows:

Governmental activities:

General	\$ 9,838
Public safety	1,246
	<u>\$ 11,084</u>

Business-Type activities:

Water	<u>\$ 89,369</u>
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(Continued)

Village of Hosston
Hosston, Louisiana
Notes to the Financial Statements
December 31, 2020
(Continued)

(7) Receivables

Receivables at December 31, 2020 are as follows:

Governmental activities:	
License and permits	\$ 6,763
Franchise Tax	12,062
Accrued interest	<u>5,106</u>
	<u>\$ 23,931</u>
Business-type activities:	
Water charges	\$ 11,057
Grant receivable	<u>51,408</u>
	<u>\$ 62,465</u>

(8) Restricted Assets

Restricted assets were applicable to the following at December 31, 2020:

	Governmental Fund
Customer deposits	<u>\$ 11,442</u>

(9) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$11,442 at December 31, 2020.

(10) Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village attempts to minimize risk from significant losses through the purchase of insurance.

(11) Subsequent Events

Subsequent events have been evaluated through June 28, 2021, the date the financial statements were available to be issued.

(12) Uncertainty

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

(13) Due To / Due From Other Fund

At December 31, 2020, the General Fund owed the Enterprise Fund \$113,581, due to the Village combining the cash accounts for the General and Enterprise Funds during 2020. This amount is expected to be repaid in 2021, when the Village separates the accounts for the General and Enterprise Funds.

Village of Hosston
Hosston, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Cash Basis) and Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Franchise taxes	\$ 61,000	\$ 47,200	\$ 47,130	(70)
Interest earnings	200	375	1,536	1,161
Intergovernmental	9,368		9,368	9,368
Licenses and permits	56,100	59,050	58,598	(452)
Charges for services	6,000	1,960	1,625	(335)
Miscellaneous	250	1,425	169	(1,256)
Total revenues	132,918	110,010	118,426	8,416
Expenditures				
Current				
General government	120,000	132,720	123,569	9,151
Public works	25,260	5,000	44,388	(39,388)
Public safety	23,000	14,450	14,921	(471)
Capital outlay	3,500	19,459	19,459	19,459
Total expenditures	171,760	171,629	182,878	(11,249)
Excess (deficiency) of revenues over expenditures	(38,842)	(61,619)	(64,452)	(2,833)
Fund balance, beginning of year	38,842	61,619	310,812	249,193
Fund balance, end of year	\$	\$	\$ 246,360	\$ 246,360

See the accompanying note to the required supplementary schedule.

Village of Hosston
Hosston, Louisiana
Notes to Required Supplementary Information
December 31, 2020

The Village's budget is adopted on a cash basis for all funds. There was one amendment to the December 31, 2020 budget. Budget comparison statements included in the accompanying financial statements include the original adopted budgets and all amendments. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	General Fund
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ (64,452)
Adjustments:	
Revenue accruals – net	10,141
	(4,376)
Excess of revenues and other sources over (under) expenditures and other uses (GAAP basis)	\$ <u>(58,687)</u>

Village of Hosston
Hosston, Louisiana
Schedule of Compensation Paid to Council Members and Mayor
For the Year Ended December 31, 2020

Mayor:

Betty "Susie" Giles	\$	6,000
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Council Members:

Charlie Giles	1,500
Emmett Carter	250
Henry Blunt	1,125
Misti Banks	1,500
	<u>\$</u>
	<u>10,375</u>

Village of Hosston
Hosston, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2020

Agency Head: Betty "Susie" Giles, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 6,000
Travel	100

Village of Hosston
Hosston, Louisiana
Schedule of Revenue and Expenditures
LCDBG Contract Number 2000456718
For the Year Ended December 31, 2020

Revenue:

LCDBG funds	<u>\$ 446,338</u>
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Expenditures:

Public works - potable water	427,088
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Administration:

Public facilities	<u>19,250</u>
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Total expenditures	<u>446,338</u>
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Excess revenue over (under) expenditures	<u><u>\$</u></u>
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*Amounts reported above include amounts recorded as accounts receivable and accounts payable at December 31, 2020, in the amount of \$51,408.

Village of Hosston
Hosston, Louisiana
Other Supplementary Information
Justice System Funding Schedule
Collecting/Disbursing Schedule
As Required by Act 87 of the 2020 Regular Legislative Session
For the Year Ended December 31, 2020

	<u>January 2020 - June 2020</u>	<u>July 2020 - December 2020</u>
Cash Basis Presentation		
Beginning Balance of Amounts Collected (i.e. cash on hand)	<u>-</u>	<u>-</u>
Add: Collections		
Criminal Fines - Other	902	51
Criminal Court Costs/Fees	543	129
Subtotal Collections	<u>1,445</u>	<u>180</u>
Less: Disbursements to Governments and Nonprofits		
Louisiana Traumatic Head and Spinal Cord Injury Trust Fund - Criminal Fines - Other	40	10
North Louisiana Criminalistics Laboratory Commission - Criminal Fines - Other	270	80
State of Louisiana Treasurer - CMIS - Criminal Fines - Other	36	9
Louisiana Supreme Court - Criminal Fines - Other	6	2
Louisiana Commission on Law Enforcement - Criminal Fines - Other	191	28
Less: Amounts Retained by Collecting Agency		
Amounts Self-Disbursed to Collecting Agency - Criminal Fines - Other	902	51
Subtotal Disbursements/Retainage	<u>1,445</u>	<u>180</u>
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	<u>-</u>	<u>-</u>
Ending Balance of "Partial Payments" Collected but not Disbursed	<u>N/A</u>	<u>N/A</u>

Other Information:		
Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)	<u>N/A</u>	<u>N/A</u>
Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)	<u>N/A</u>	<u>N/A</u>

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J. PRESTON DELAUNE, CPA

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*

Independent Auditor's Report

To the Honorable Kimberly Jaynes, Mayor
and the Village Council
Village of Hosston, Louisiana
Hosston, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Village of Hosston as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Hosston's basic financial statements, and have issued our report thereon dated June 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Hosston's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Hosston's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Hosston's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Summary Schedule of Current Year Audit Findings as items 2020-001 and 2020-002, that we consider to be material weaknesses.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Village of Hosston'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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Current Year Audit Findings as item 2020-003.

Village of Hosston's Response to Findings

Village of Hosston's response to the findings identified in our audit is described in the accompanying Summary Schedule of Current Year Audit Findings. Village of Hosston'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.



Cook & Morehart
Certified Public Accountants
June 28, 2021

Village of Hosston
Hosston, Louisiana
Summary Schedule of Prior Year Audit Findings
For Louisiana Legislative Auditor
December 31, 2020

There were no findings reported for the year ended December 31, 2019.

Summary Schedule of Current Year Audit Findings
For Louisiana Legislative Auditor
December 31, 2020

There are three findings reported for the current year audit for the year ended December 31, 2020.

2020-001 Material Weakness – Segregation of Duties

Condition: During our audit, we noted that one individual was responsible for receiving funds, depositing funds, and reconciling the bank accounts. In addition, there was no evidence of review or approval with regards to customer account balances in the subsidiary water billing software.

Criteria: Internal controls should be in place to adequately account for all collections at the Village, including proper segregation of duties. Such controls should also include a review of bank reconciliations by someone other than the individual preparing the reconciliations.

Cause: Appropriate controls were not in place to ensure an appropriate segregation of duties with regards to certain receiving and bank reconciliation functions. The Village only has one clerk who is responsible for making collections, posting to the subsidiary billing software, and reconciling the Village's bank accounts.

Effect: Without proper controls over the receipt function, the posting of deposits in the accounts receivable billing software, and the bank reconciliation function, incorrect information could be entered or errors could be made and not detected by Village personnel.

Recommendation: We recommend that the Village implement controls to provide a proper segregation of duties over the receipt function, to include a monitoring, on a routine basis, of receipts and postings to customer accounts in the subsidiary billing software, by an individual not responsible for collections. Controls should also be implemented for ensuring that all bank statements and bank reconciliations are physically reviewed and approved, in writing, by someone other than the preparer of the reconciliations.

Views of Responsible Officials and Planned Corrective Actions: The Village of Hosston is a small village with limited funds. Due to the size of our village and the work load involved, it is not feasible to hire more than one employee to run our business office. However, we will consider implementing controls where possible, by having the Mayor review and approve bank statements, bank reconciliations, and customer account balances in the subsidiary billing software.

2020-002 Material Weakness – Utility Billing System Documentation

Condition: The Village was unable to locate supporting documentation/daily work for receipts posted to customer account balances in the subsidiary billing software for the water system. Deposits were made to the bank account and posted to the accounting records; however, daily transaction reports from the billing software could not be located to support amounts deposited. In addition, there was no supporting documentation for billing adjustments posted to customer account balances into the subsidiary billing software.

(Continued)

Village of Hosston
Hosston, Louisiana
Summary Schedule of Current Year Audit Findings
For Louisiana Legislative Auditor
December 31, 2020
(Continued)

Criteria: Internal controls should be in place to ensure that supporting documentation/daily work is retained to support all amounts received and posted in the subsidiary billing software. In addition, controls should be in place for properly reviewing and approving billing adjustments posted to customer accounts in the subsidiary billing software.

Cause: Controls were not in place for ensuring that supporting documentation/daily work was properly retained to support receipts and billing adjustments.

Effect: Without proper controls over receipts and adjustments posted to customer account balances, incorrect information could be entered or errors could be made and not detected by Village personnel.

Recommendation: We recommend that the Village implement controls for retaining supporting documentation/daily work for all receipts and adjustments posted to customer accounts in the subsidiary billing software. We further recommend that an individual independent of the receipt function review and physically approve all billing adjustments posted to customer accounts.

Views of Responsible Officials and Planned Corrective Actions: The Village will implement procedures for printing and retaining supporting documentation/daily work for all receipts posted to customer account balances in the subsidiary billing software. We will also implement controls by having the Mayor review and approve all billing adjustments posted to customer account balances in the subsidiary billing software.

2020-003 – Budget

Criteria: The Local Government Budget Act sets forth the requirements for adopting and amending the Village's budget.

Finding: Total expenditures and other financing uses for the General fund exceeded budgeted amounts by more than five percent. In addition, the budget for the year ended December 31, 2020, was not adopted prior to the beginning of the fiscal year and was not advertised and made available for public inspection ten days prior to adoption.

Cause: The budget was not properly adopted or amended, as required by the Local Government Budget Act.

Effect: The Village was not in compliance with the Local Government Budget Act.

Recommendation: We recommend that the Village amend its budget when total expenditures and other financing uses are anticipated to exceed the budgeted amounts by more than five percent. We also recommend that the Village adopt its budget prior to the beginning of the fiscal year, and that the budget be appropriately advertised and made available for public inspection, as required by the Local Government Budget Act.

Views of Responsible Officials and Planned Corrective Actions: The Village will take necessary steps for amending its budget when total expenditures and other financing uses are anticipated to exceed the budgeted amounts by more than five percent, and for appropriately advertising and adopting the budget, as required by the Local Government Budget Act.