

VILLAGE OF PALMETTO, LOUISIANA

Financial Report

Year Ended July 31, 2020

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INDEPENDENT AUDITOR'S REPORT

The Honorable Joseph Irving, Jr., Mayor
and Members of the Board of Aldermen
Village of Palmetto, 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 Palmetto, Louisiana, as of and for the year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Palmetto, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Palmetto, Louisiana, as of July 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 39-40 be presented to supplement the basic financial statements. Such information, although not 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.

The Village of Palmetto, Louisiana 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 Palmetto, Louisiana's basic financial statements. The comparative financial statements and various schedules included in other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative financial statements are the responsibility of management and were 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 comparative financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The prior year comparative information reported on the comparative statements has been derived from the Village of Palmetto, Louisiana's 2019 financial statements, which was subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, was fairly presented in all material respects in relation to the basic financial statements from which they were derived.

The various schedules included in other supplementary information have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the Village of Palmetto, 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 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 Palmetto, Louisiana'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 the Village of Palmetto, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Ville Platte, Louisiana
April 6, 2021

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

VILLAGE OF PALMETTO, LOUISIANA

Statement of Net Position
July 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 6,691	\$ 66,514	\$ 73,205
Investments	101	54,868	54,969
Receivables	837	37,433	38,270
Due from other governmental agencies	16,789	2,503	19,292
Restricted assets:			
Cash and interest-bearing deposits	-	90,250	90,250
Investments	-	87,618	87,618
Capital assets:			
Land	5,250	32,069	37,319
Capital assets, net	516,384	1,783,975	2,300,359
Prepaid items	3,000	-	3,000
Total assets	<u>549,052</u>	<u>2,155,230</u>	<u>2,704,282</u>
LIABILITIES			
Accounts and other payables	5,655	13,147	18,802
Interest payable	-	3,469	3,469
Internal balances	(5,281)	5,281	-
Customer deposits	-	59,974	59,974
Long-term liabilities:			
Bonds, notes, and leases due within one year	7,680	25,714	33,394
Bonds, notes, and leases due after one year	-	368,250	368,250
Total liabilities	<u>8,054</u>	<u>475,835</u>	<u>483,889</u>
NET POSITION			
Net investment in capital assets	513,954	1,441,276	1,955,230
Restricted for debt service	-	95,229	95,229
Unrestricted	27,044	142,890	169,934
Total net position	<u>\$ 540,998</u>	<u>\$ 1,679,395</u>	<u>\$ 2,220,393</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Statement of Activities
For the Year Ended July 31, 2020

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 85,891	\$ 14,193	\$ -	\$ -	\$ (71,698)	\$ -	\$ (71,698)
Public safety	29,336	6,686	-	13,050	(9,600)	-	(9,600)
Highways and streets	78,195	23,490	-	258	(54,447)	-	(54,447)
Interest on long-term debt	513	-	-	-	(513)	-	(513)
Total governmental activities	<u>193,935</u>	<u>44,369</u>	<u>-</u>	<u>13,308</u>	<u>(136,258)</u>	<u>-</u>	<u>(136,258)</u>
Business-type activities:							
Gas	256,160	197,522	-	-	-	(58,638)	(58,638)
Water	317,608	263,590	-	13,068	-	(40,950)	(40,950)
Total business-type activities	<u>573,768</u>	<u>461,112</u>	<u>-</u>	<u>13,068</u>	<u>-</u>	<u>(99,588)</u>	<u>(99,588)</u>
Total	<u>\$ 767,703</u>	<u>\$ 505,481</u>	<u>\$ -</u>	<u>\$ 26,376</u>	<u>\$ (136,258)</u>	<u>\$ (99,588)</u>	<u>\$ (235,846)</u>
General revenues:							
Taxes					15,898	-	15,898
Licenses and permits					18,931	-	18,931
Grants and contributions not restricted to specific programs					17,856	-	17,856
Interest and investment earnings					1	3,142	3,143
Miscellaneous					2,359	-	2,359
Transfers					12,616	(12,616)	-
Total general revenues and transfers					<u>67,661</u>	<u>(9,474)</u>	<u>58,187</u>
Change in net position					(68,597)	(109,062)	(177,659)
Net position - beginning					<u>609,595</u>	<u>1,788,457</u>	<u>2,398,052</u>
Net position - ending					<u>\$ 540,998</u>	<u>\$ 1,679,395</u>	<u>\$ 2,220,393</u>

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Enterprise Funds

Gas Utility Fund

To account for the provision of gas service to the residents of the Village and some residents of the Parish. All activities necessary to provide such service are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

Water Utility Fund

To account for the provision of water service to the residents of the Village and some residents of the Parish. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

VILLAGE OF PALMETTO, LOUISIANA

Balance Sheet
Governmental Fund - General Fund
July 31, 2020

ASSETS

Cash and interest-bearing deposits	\$ 6,691
Investments	101
Due from other governmental agencies	16,789
Due from other funds	16,428
Other receivables	837
Prepaid items	<u>3,000</u>
Total assets	<u>\$ 43,846</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 4,634
Accrued liabilities	1,021
Due to other funds	<u>11,147</u>
Total liabilities	<u>16,802</u>
Fund balance:	
Nonspendable	3,000
Unassigned	<u>24,044</u>
Total fund balances	<u>27,044</u>
Total liabilities and fund balance	<u>\$ 43,846</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
July 31, 2020

Total fund balance for the governmental fund at July 31, 2020		\$ 27,044
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 5,250	
Land improvements, net of \$174,386 accumulated depreciation	58,574	
Buildings and improvements, net of \$293,759 accumulated depreciation	118,594	
Equipment, net of \$197,077 accumulated depreciation	147,663	
Infrastructure, net of \$225,486 accumulated depreciation	<u>191,553</u>	521,634
Some liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds. These liabilities consist of the following:		
Capital lease payable		<u>(7,680)</u>
Total net position of governmental activities at July 31, 2020		<u>\$ 540,998</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Governmental Fund - General Fund
 For the Year Ended July 31, 2020

Revenues:	
Taxes	\$ 15,898
Licenses and permits	18,931
Intergovernmental	13,603
Charges for services	37,683
Fines and forfeits	6,686
Interest	1
Miscellaneous	<u>19,920</u>
Total revenues	<u>112,722</u>
Expenditures:	
Current -	
General government	62,702
Public safety	23,899
Highways and streets	30,951
Debt service	8,556
Capital outlay	<u>10,550</u>
Total expenditures	<u>136,658</u>
Deficiency of revenues over expenditures	(23,936)
Other financing sources:	
Transfers in	15,000
Transfers out	<u>(2,384)</u>
Total other financing sources (uses)	<u>12,616</u>
Net change in fund balance	(11,320)
Fund balance, beginning	<u>38,364</u>
Fund balance, ending	<u>\$ 27,044</u>

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

VILLAGE OF PALMETTO, LOUISIANA

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

Total net change in fund balance for the year ended July 31, 2020 per the statement of revenues, expenditures and changes in fund balance	\$ (11,320)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense for the year ended July 31, 2020	(65,320)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts, are amortized in the statement of activities over multiple periods.	
Repayment of long-term debt	<u>8,043</u>
Total change in net position for the year ended July 31, 2020 per the statement of activities	<u>\$ (68,597)</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Statement of Net Position
 Proprietary Funds
 Business-Type Activities - Enterprise Funds
 July 31, 2020

ASSETS	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Current assets:			
Cash and interest-bearing deposits	\$ 31,555	\$ 34,959	\$ 66,514
Investments	54,868	-	54,868
Receivables -			
Accounts, net	9,171	28,262	37,433
Due from other governmental agencies	-	2,503	2,503
Due from other funds	<u>17,413</u>	<u>-</u>	<u>17,413</u>
Total current assets	<u>113,007</u>	<u>65,724</u>	<u>178,731</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing deposits	19,386	70,864	90,250
Investments	4,500	83,118	87,618
Land	29,238	2,831	32,069
Capital assets, net	<u>93,659</u>	<u>1,690,316</u>	<u>1,783,975</u>
Total noncurrent assets	<u>146,783</u>	<u>1,847,129</u>	<u>1,993,912</u>
Total assets	<u>259,790</u>	<u>1,912,853</u>	<u>2,172,643</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and other payables	4,322	8,825	13,147
Due to other funds	-	22,694	22,694
Capital lease payable	<u>3,259</u>	<u>3,259</u>	<u>6,518</u>
Total	<u>7,581</u>	<u>34,778</u>	<u>42,359</u>
Current liabilities (payable from restricted assets):			
Customer deposits	23,886	36,088	59,974
Revenue bonds payable	-	19,196	19,196
Accrued interest payable	<u>-</u>	<u>3,469</u>	<u>3,469</u>
Total	<u>23,886</u>	<u>58,753</u>	<u>82,639</u>
Total current liabilities	<u>31,467</u>	<u>93,531</u>	<u>124,998</u>
Noncurrent liabilities:			
Revenue bonds payable	-	362,432	362,432
Capital lease payable	<u>2,909</u>	<u>2,909</u>	<u>5,818</u>
Total noncurrent liabilities	<u>2,909</u>	<u>365,341</u>	<u>368,250</u>
Total liabilities	<u>34,376</u>	<u>458,872</u>	<u>493,248</u>
NET POSITION			
Net investment in capital assets	116,729	1,324,547	1,441,276
Restricted for debt service	-	95,229	95,229
Unrestricted	<u>108,685</u>	<u>34,205</u>	<u>142,890</u>
Total net position	<u>\$ 225,414</u>	<u>\$ 1,453,981</u>	<u>\$ 1,679,395</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Business-Type Activities - Enterprise Funds
 For the Year Ended July 31, 2020

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 193,579	\$ 249,704	\$ 443,283
Miscellaneous	<u>3,943</u>	<u>13,886</u>	<u>17,829</u>
Total operating revenues	<u>197,522</u>	<u>263,590</u>	<u>461,112</u>
Operating expenses:			
Gas purchases	33,738	-	33,738
Personnel costs	92,142	84,776	176,918
Operating and maintenance	31,479	70,631	102,110
Truck expenses	6,895	6,555	13,450
Travel	13	-	13
Office supplies and expenses	18,501	7,242	25,743
Computer	1,410	1,410	2,820
Telephone and utilities	25,199	18,561	43,760
Insurance	20,776	23,867	44,643
Professional fees	7,560	7,560	15,120
Depreciation	15,720	71,005	86,725
Other	<u>2,333</u>	<u>8,089</u>	<u>10,422</u>
Total operating expenses	<u>255,766</u>	<u>299,696</u>	<u>555,462</u>
Operating loss	<u>(58,244)</u>	<u>(36,106)</u>	<u>(94,350)</u>
Nonoperating revenues (expenses):			
Interest income	1,613	1,529	3,142
Interest expense	<u>(394)</u>	<u>(17,912)</u>	<u>(18,306)</u>
Total nonoperating revenues (expenses)	<u>1,219</u>	<u>(16,383)</u>	<u>(15,164)</u>
Loss before contributions and transfers	(57,025)	(52,489)	(109,514)
Capital contributions	<u>-</u>	<u>13,068</u>	<u>13,068</u>
Loss before transfers	<u>(57,025)</u>	<u>(39,421)</u>	<u>(96,446)</u>
Transfers in (out):			
Transfers in	2,384	-	2,384
Transfers out	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Total transfers in (out)	<u>2,384</u>	<u>(15,000)</u>	<u>(12,616)</u>
Change in net position	(54,641)	(54,421)	(109,062)
Net position, beginning	<u>280,055</u>	<u>1,508,402</u>	<u>1,788,457</u>
Net position, ending	<u>\$ 225,414</u>	<u>\$ 1,453,981</u>	<u>\$ 1,679,395</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 Business-Type Activities - Enterprise Funds
 For the Year Ended July 31, 2020

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 200,065	\$ 258,528	\$ 458,593
Payments to suppliers	(158,415)	(159,101)	(317,516)
Payments to employees	(97,133)	(87,093)	(184,226)
Other receipts	<u>3,943</u>	<u>13,886</u>	<u>17,829</u>
Net cash provided (used) by operating activities	<u>(51,540)</u>	<u>26,220</u>	<u>(25,320)</u>
Cash flows from noncapital financing activities:			
Operating transfers from (to) other funds	(31,147)	5,121	(26,026)
Net increase (decrease) in customer deposits	<u>(740)</u>	<u>3,590</u>	<u>2,850</u>
Net cash provided (used) by noncapital financing activities	<u>(31,887)</u>	<u>8,711</u>	<u>(23,176)</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds and leases payable	(2,615)	(21,351)	(23,966)
Interest and fiscal charges paid on bonds and leases payable	(394)	(18,293)	(18,687)
Purchase and construction of capital assets	-	(107,434)	(107,434)
Proceeds from grants	<u>-</u>	<u>66,180</u>	<u>66,180</u>
Net cash used by capital and related financing activities	<u>(3,009)</u>	<u>(80,898)</u>	<u>(83,907)</u>
Cash flows from investing activities:			
Net maturities (purchases) of investments	69,772	(18,172)	51,600
Interest earned	<u>1,613</u>	<u>1,529</u>	<u>3,142</u>
Net cash provided (used) by investing activities	<u>71,385</u>	<u>(16,643)</u>	<u>54,742</u>
Net decrease in cash and cash equivalents	(15,051)	(62,610)	(77,661)
Cash and cash equivalents, beginning of period	<u>35,673</u>	<u>98,376</u>	<u>134,049</u>
Cash and cash equivalents, end of period	<u>\$ 20,622</u>	<u>\$ 35,766</u>	<u>\$ 56,388</u>

(continued)

VILLAGE OF PALMETTO, LOUISIANA

Statement of Cash Flows
 Proprietary Funds (Continued)
 Business-Type Activities - Enterprise Funds
 For the Year Ended July 31, 2020

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating loss	\$ (58,244)	\$ (36,106)	\$ (94,350)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	15,720	71,005	86,725
Changes in current assets and liabilities:			
Decrease in accounts receivable	8,861	10,017	18,878
Decrease in provision for uncollectible accounts	(2,174)	(787)	(2,961)
Decrease in accounts and other payables	<u>(15,703)</u>	<u>(17,909)</u>	<u>(33,612)</u>
Net cash provided (used) by operating activities	<u>\$ (51,540)</u>	<u>\$ 26,220</u>	<u>\$ (25,320)</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:			
Cash and cash equivalents, beginning of period -			
Cash and interest-bearing deposits - unrestricted	\$ 86,872	\$ 100,638	\$ 187,510
Cash and interest-bearing deposits - restricted	20,126	67,274	87,400
Less: Interest-bearing deposits with maturity in excess of 90 days	<u>(71,325)</u>	<u>(69,536)</u>	<u>(140,861)</u>
Total cash and cash equivalents	<u>35,673</u>	<u>98,376</u>	<u>134,049</u>
Cash and cash equivalents, end of period -			
Cash and interest-bearing deposits - unrestricted	31,555	34,959	66,514
Cash and interest-bearing deposits - restricted	19,386	70,864	90,250
Less: Interest-bearing deposits with maturity in excess of 90 days	<u>(30,319)</u>	<u>(70,057)</u>	<u>(100,376)</u>
Total cash and cash equivalents	<u>20,622</u>	<u>35,766</u>	<u>56,388</u>
Net decrease	<u>\$ (15,051)</u>	<u>\$ (62,610)</u>	<u>\$ (77,661)</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Village of Palmetto, Louisiana (hereinafter, "the Village") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent subsections of this note.

A. Financial Reporting Entity

The Village of Palmetto, Louisiana was incorporated in 1888 under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government and provides the following services: police protection, streets and drainage, and general administrative services. The Village owns and operates gas and water utilities systems.

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

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, "Defining the Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government's governing authority (Mayor and Board of Aldermen) appoints a majority of board members of the potential component unit and is able to impose its will on the potential component unit or whether the potential component unit is fiscally dependent on the primary government.
3. Financial benefit/burden relationship between the primary government and the potential component unit.
4. The nature and significance of the relationship between the potential component units with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

The Village of Palmetto is a primary government and has no component units. The accompanying financial statements present information only on the funds maintained by the Village and do not present information on any other governmental unit.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements provide operational accountability information for the Village as an economic unit. The government-wide financial statements report the Village's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government.

Fund Financial Statements

The accounts of the Village are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses, and transfers. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the Village. The various funds of the Village are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed in a separate column.

Major funds are determined as funds whose revenues, expenditures/expenses, assets and deferred outflows of resources or liabilities and deferred inflows of resources are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Village. Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Village uses the following funds, grouped by fund type.

Governmental Funds –

Governmental Funds are those through which most governmental functions of the Village are financed. The acquisition, use, and balances of the Village's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

General Fund

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

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and nonmajor funds aggregated. A reconciliation is presented to summarize the differences in fund balances of the governmental fund financial statements and the net position of the governmental activities in the government-wide financial statements.

Proprietary Funds -

Proprietary funds are used to account for the Village's ongoing operations and activities which are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The proprietary funds maintained by the Village are enterprise funds.

Enterprise Fund

Enterprise funds are proprietary funds that are used to report activities for which a fee is charged to external users. These funds account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village's enterprise funds are the Gas and Water Utility Funds.

Enterprise fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The enterprise fund financial information is presented under the business-type activities column.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The measurement focus determines the accounting and financial reporting treatment applied to a fund. The governmental and business-type activities within the government-wide statement of net position and statement of activities are presented using the economic resources measurement focus. The economic resources measurement focus meets the accounting objectives of determining net income, net position, and cash flows.

The fund financial statements use either the current financial resources measurement focus or the economic resources measurement focus as appropriate. Governmental funds use the current financial resources measurement focus. The measurement focus is based upon the receipt and disbursement of current available financial resources rather than upon net income. The measurement focus of the proprietary fund types, the flow of economic resources, is based upon determination of net income, net position and cash flows.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

The accrual basis of accounting is used throughout the government-wide statements; conversely, the financial statements of the governmental funds have been prepared in accordance with the modified accrual basis of accounting, whereby revenues are recognized when considered both measurable and available to finance expenditures of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is grants collected on a reimbursement basis. Those reimbursable grants are recognized as revenue when reimbursable expenditures are made. The Village considers reimbursement amounts received within one year as available. The Village accrues intergovernmental revenue, ad valorem tax revenue, franchise fees, charges for services, and investment income based upon this concept. Expenditures generally are recognized when the related fund liabilities are incurred and become payable in the current period. Proceeds of debt are reported as other financing sources, and principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded as expenditures when paid.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursement for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the Village. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the Village and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level financial statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations. As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements.

The financial statements of the enterprise funds have been prepared in accordance with the accrual basis of accounting. Accordingly, revenues are recorded when earned, and expenses and related liabilities are recorded when incurred.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash, interest-bearing deposits, and investments

For purposes of the statement of net position, cash and interest-bearing deposits include all cash on hand, demand accounts, savings accounts, and certificates of deposit of the Village. Under state law, the Village may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the union, or the laws of the United States of America. The Village may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at fair value.

For purposes of the proprietary funds statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and franchise taxes. Business-type activities report customer utility service receivables as the major receivable. Uncollectible ad valorem taxes or utility service receivables are recognized as bad debts at the time of information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for customer utility receivables at July 31, 2020 for the Gas and Water Fund was \$7,642 and \$9,916, respectively. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing at the end of the month, are recorded at year-end.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Restricted Assets

Restricted assets include cash and interest-bearing deposits and investments of the proprietary funds that are legally restricted as to their use. The restricted assets in the gas and water utility funds are related to the utility meter deposits and revenue bond accounts.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or fund financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation. The Village maintains a threshold level of \$500 or more for capitalizing capital assets.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility plant and equipment	5 - 50 years
Buildings and improvements	25- 40 years
Furniture, fixtures, equipment and vehicles	3 - 25 years
Infrastructure	25 years
Land improvements	25 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

Employees of the Village earn annual leave of five working days per year and may accumulate a maximum of five days of annual leave, which is paid at termination. Any liability the Village may have for accumulated annual leave is considered immaterial; therefore, there is no liability recorded in these financial statements.

Sick leave is earned at the rate of 5/6 day for each month worked. There is no maximum amount of sick leave which may be accumulated; however, no sick leave is paid to employees at termination.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village had no deferred outflows of resources at July 31, 2020.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate section represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village had no deferred inflows of resources at July 31, 2020.

Equity Classifications

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

- a. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position consists of net position with constraints placed on the use either by external groups, such as creditors, grantors, and contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. It is the Village's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred. At July 31, 2020, the Village reported \$95,229 of restricted net position, none of which was restricted by enabling legislation.
- c. Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily upon the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories and their purposes are:

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

- a. Nonspendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints requiring they maintain intact. The Village's nonspendable fund balance includes prepaid items.
- b. Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors or amounts constrained due to constitutional provisions or enabling legislation or the laws or regulations of other governments.
- c. Committed includes fund balance amounts that can be used only for specific purposes that are internally imposed by the Village through formal legislative action of the Mayor and Board of Aldermen and does not lapse at year end. A committed fund balance constraint can only be established, modified or rescinded by passage of an Ordinance (Law) by the Mayor and Board of Aldermen.
- d. Assigned includes fund balance amounts that are constrained by the Village's intent to be used for specific purposes, that are neither restricted nor committed. The assignment of fund balance is authorized by a directive from the Village Clerk and approval of a Resolution by the Board of Aldermen.
- e. Unassigned includes fund balance amounts which have not been classified within the above-mentioned categories.

It is the Village's policy to use restricted amounts first when both restricted and unrestricted fund balance is available unless prohibited by legal or contractual provisions. Additionally, the Village uses committed, assigned, and lastly unassigned amounts of fund balance in that order when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Revenues

The Village considers revenue to be susceptible to accrual in the governmental funds as it becomes measurable and available, as defined under the modified accrual basis of accounting. The Village generally defines the availability period for revenue recognition as received within sixty (60) days of year end. The Village's major revenue sources that meet this availability criterion are intergovernmental revenues, franchise fees, tax revenue, occupational licenses, and charges for services.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

There are three classifications of programmatic revenues for the Village, program specific grant and contributions revenue (operating and capital) and charges for services. Grant revenues are revenues from federal, state, and private grants. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. Charges for services are derived directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole. Program revenues reduce the cost of the function to be financed from the Village's general revenues. The primary sources of program revenue are fees, fines, and charges paid by recipients of goods or services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and earned income in connection with the operation of the Village's utility system.

Interest income is recorded as earned in the fund holding the interest-bearing asset.

Substantially all other revenues are recorded when received.

Operating Revenues and Expenses

In the proprietary funds, operating revenues are those revenues produced as a result of providing services and producing and delivering goods and/or services. Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets, rental income, and insurance recoveries on property loss. Operating expenses are those expenses related to the production of revenue. Nonoperating expenses are those expenses not directly related to the production of revenue and include items such as interest expense and losses on disposal of assets.

Expenditures/Expenses

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

Governmental Funds - By Character
Proprietary Funds - By Operating and Non-operating

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

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Village has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source includes:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Water revenue	Debt service and utility operations

G. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, 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/expenses during the reporting period. Actual results could differ from those estimates.

(2) Risks and Uncertainties

Subsequent to February 28, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and many government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Village as of July 31, 2020, management does not believe that a material impact on the Village's financial position and results of future operations is reasonably possible.

(3) Subsequent Events

Mayor Marx Budden passed away on January 4, 2021. As a result, Mayor Pro Tem Joseph Irving, Jr was appointed to serve as Mayor until the special election to fill the position scheduled for October 2021.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Village in October and are billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Landry Parish. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the year ended July 31, 2020, taxes of 5.85 mills were levied on property with assessed valuations totaling \$881,560 with a total taxes being levied of \$5,157. Ad valorem taxes are dedicated to general corporate purposes.

(5) Cash and Interest-Bearing Deposits

Under state law, the Village may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Village may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At July 31, 2020, the Village had cash and interest-bearing deposits (book balances) totaling \$163,455 as follows:

Demand deposits	\$ 63,079
Certificates of deposit	<u>100,376</u>
Total	<u>\$ 163,455</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Village's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. These deposits are stated at cost, which approximates fair value. Under state law, deposits (or the resulting bank balances) must be secured by federal deposits insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) of \$182,368 at July 31, 2020 were fully secured by Federal deposit insurance and therefore not exposed to custodial credit risk.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(6) Investments

The Village participates in Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local governmental 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.

Accounting standards require disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with accounting standards. The following facts are relevant for investment pools:

- Credit risk: LAMP has a fund rating of AAAM issued 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: LAMP's pooled investments are excluded from the 5 percent 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 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.
- Foreign currency risk: Not applicable.

The investment in LAMP totaling \$142,587 is stated at fair value. 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. 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.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(7) Receivables

Receivables consisted of the following at July 31, 2020:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
Accounts	\$ -	\$ 51,312	\$ 51,312
Unbilled utility	-	3,609	3,609
Allowance for uncollectible accounts	-	(17,558)	(17,558)
Franchise tax	837	-	837
Other	-	70	70
Totals	<u>\$ 837</u>	<u>\$ 37,433</u>	<u>\$ 38,270</u>

(8) Due from Other Governmental Agencies

Due from other governmental agencies consisted of the following at July 31, 2020:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
State of Louisiana -			
Department of Transportation	\$ -	\$ 2,503	\$ 2,503
Department of Treasury - CARES Act	13,050	-	13,050
St. Landry Parish - Racino funds	<u>3,739</u>	<u>-</u>	<u>3,739</u>
	<u>\$16,789</u>	<u>\$ 2,503</u>	<u>\$ 19,292</u>

(9) Restricted Assets

Restricted assets in the Enterprise Utility Funds consisted of the following at July 31, 2020:

	<u>Gas Utility Fund</u>	<u>Water Utility Fund</u>	<u>Total</u>
Customer deposits	\$ 23,886	\$ 36,088	\$ 59,974
Reveune bond reserve fund	-	49,491	49,491
Depreciation and contingencies fund	-	43,186	43,186
Bond and interest amortization fund	-	25,217	25,217
	<u>\$ 23,886</u>	<u>\$ 153,982</u>	<u>\$ 177,868</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(10) Capital Assets

Capital asset activity for the year ended July 31, 2020 was as follows:

	<u>Balance</u> 8/1/2019	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 7/31/2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,250	\$ -	\$ -	\$ 5,250
Capital assets being depreciated:				
Land improvements	232,960	-	-	232,960
Buildings and improvements	412,353	-	-	412,353
Equipment	344,740	-	-	344,740
Infrastructure	417,039	-	-	417,039
Total capital assets being depreciated	<u>1,407,092</u>	<u>-</u>	<u>-</u>	<u>1,407,092</u>
Less accumulated depreciation				
Land improvements	164,611	9,775	-	174,386
Buildings and improvements	283,360	10,399	-	293,759
Equipment	169,307	27,770	-	197,077
Infrastructure	208,110	17,376	-	225,486
Total accumulated depreciation	<u>825,388</u>	<u>65,320</u>	<u>-</u>	<u>890,708</u>
Total net capital assets being depreciated	<u>581,704</u>	<u>(65,320)</u>	<u>-</u>	<u>516,384</u>
Governmental activities, net capital assets	<u>\$ 586,954</u>	<u>\$ (65,320)</u>	<u>\$ -</u>	<u>\$ 521,634</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 23,189
Public safety	5,437
Highways and streets	<u>36,694</u>
Total depreciation expense	<u>\$ 65,320</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

	Balance 8/1/2019	Additions	Deletions	Balance 7/31/2020
Business-type activities:				
Capital assets not being depreciated:				
Land and construction in progress	\$ 152,778	\$ -	\$ 120,709	\$ 32,069
Capital assets being depreciated:				
Utility plant and equipment	3,753,454	120,709	-	3,874,163
Furniture, fixtures, and equipment	60,228	-	-	60,228
Vehicles	55,780	-	-	55,780
Buildings	179,689	-	-	179,689
Total capital assets being depreciated	<u>4,049,151</u>	<u>120,709</u>	<u>-</u>	<u>4,169,860</u>
Less accumulated depreciation				
Utility plant and equipment	2,044,011	76,344	-	2,120,355
Furniture, fixtures, and equipment	59,801	425	-	60,226
Vehicles	32,450	6,569	-	39,019
Buildings	162,898	3,387	-	166,285
Total accumulated depreciation	<u>2,299,160</u>	<u>86,725</u>	<u>-</u>	<u>2,385,885</u>
Total net capital assets being depreciated	<u>1,749,991</u>	<u>33,984</u>	<u>-</u>	<u>1,783,975</u>
Business-type activities, net capital assets	<u>\$1,902,769</u>	<u>\$ 33,984</u>	<u>\$ -</u>	<u>\$1,816,044</u>

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

Gas	\$ 15,720
Water	<u>71,005</u>
Total depreciation expense	<u>\$ 86,725</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) Accounts and Other Payables

Accounts and other payables consisted of the following at July 31, 2020:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 4,634	\$ 6,244	\$ 10,878
Salaries payable	159	1,453	1,612
Payroll taxes payable	505	-	505
Other payables	<u>357</u>	<u>5,450</u>	<u>5,807</u>
Totals	<u>\$ 5,655</u>	<u>\$ 13,147</u>	<u>\$ 18,802</u>

(12) Changes in Long-Term Liabilities

The following is a summary of long-term liability transactions of the Village for the year ended July 31, 2020:

	<u>Balance 8/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 7/31/2020</u>	<u>Amount due in one year</u>
Long-term debt:					
Revenue bonds	\$ 400,364	\$ -	\$ (18,736)	\$ 381,628	\$ 19,196
Other long-term liabilities:					
Capital leases	<u>33,289</u>	<u>-</u>	<u>(13,273)</u>	<u>20,016</u>	<u>14,198</u>
	<u>\$ 433,653</u>	<u>\$ -</u>	<u>\$ (32,009)</u>	<u>\$ 401,644</u>	<u>\$ 33,394</u>

Bonds payable at July 31, 2020 are comprised of the following individual issues:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Balance Outstanding</u>	<u>Amount Due In One Year</u>
Business-type activities:					
Waterworks Revenue Bonds -					
	5/4/1982	1/1/2022	5.000%	\$ 19,000	\$ 9,000
	2/10/1993	1/1/2033	5.625%	55,718	3,023
	4/21/2005	4/1/2045	4.250%	<u>306,910</u>	<u>7,173</u>
Total business-type activities debt				<u>\$ 381,628</u>	<u>\$ 19,196</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Annual debt service requirements of bonds outstanding are as follows:

Year Ending July 31	Business-type Activities		
	Revenue Bonds		
	Principal	Interest	Total
2021	\$ 19,196	\$ 16,989	\$ 36,185
2022	20,676	16,058	36,734
2023	11,180	15,054	26,234
2024	11,708	14,226	25,934
2025	12,262	13,973	26,235
2026 - 2030	70,286	60,587	130,873
2031 - 2035	76,350	42,510	118,860
2036 - 2040	73,904	22,285	96,189
2041 - 2045	86,066	9,046	95,112
	<u>\$ 381,628</u>	<u>\$ 210,728</u>	<u>\$ 592,356</u>

Capital leases payable at July 31, 2020 consists of the following:

	Original Amount	Maturity Date	Interest Rates	Balance Outstanding
Equipment	\$ 38,615	7/21/2021	4.250%	\$ 7,680
Equipment	<u>28,572</u>	5/30/2022	5.351%	<u>12,336</u>
	<u>\$ 67,187</u>			<u>\$ 20,016</u>

Annual debt service requirements to maturity for capital leases are as follows:

Year Ending July 31	Governmental Activities	Business-Type Activities	Total
2021	\$ 7,845	\$ 7,006	\$ 14,851
2022	-	5,975	5,975
Less: Amount representing interest	<u>(165)</u>	<u>(645)</u>	<u>(810)</u>
Present value of future minimum lease payments	<u>\$ 7,680</u>	<u>\$ 12,336</u>	<u>\$ 20,016</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Leased equipment under capital lease is included in capital assets at July 31, 2020 as follows:

Equipment	\$ 104,598
Less: Accumulated depreciation	<u>(51,846)</u>
Net	<u>\$ 52,752</u>

Depreciation on equipment under capital lease in the amount of \$13,317 for the year ended July 31, 2020 is included in depreciation expense.

(13) Flow of Funds: Restrictions on Use – Water Revenues

Under the terms of various bond indentures on outstanding Waterworks Revenue Bonds, all income and revenues earned from the operation of the waterworks system are pledged and dedicated to the retirement of said bonds and are to be deposited in funds as follows:

All revenue must be deposited into a System Fund to be first used for the payment of all reasonable and necessary expenses of operating and maintaining the system.

An Amortization Fund (Bond and Interest Sinking Fund) shall be established and maintained by transferring monthly from the System Fund a sum whereby there will accumulate an amount sufficient to pay all interest and principal as it becomes due.

A Reserve Fund shall be established and maintained by transferring each month from the System Fund \$160 until the improvements financed with the 2005 Bonds are accepted and thereafter 5% of the amount paid to the Amortization Fund, until such time as there has been accumulated a sum equal to the highest combined principal and interest falling due in any year on all bonds payable from the sinking fund. These funds shall be retained solely for the purpose of paying the principal and interest on the bonds should the Amortization Fund be in default.

A Depreciation and Contingencies Fund shall be established and maintained by transferring \$210 each month from the System Fund until the improvements financed with the 2005 Bonds are accepted and thereafter 5% of the monthly sum deposited into the Sinking fund until the amount in the Reserve Fund equals the reserve fund requirement. Thereafter, a sum equal to 5% of the sum deposited into the Sinking Fund for the 1976, 1982 and 1993 Bonds and 10% of the sum deposited in the Sinking Fund for the 2005 Bonds. The money shall be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system properly. Money in this fund shall also be used for the payment of principal and interest on bonds. If there is not sufficient money available, then the funds shall be replaced as soon as possible out of system earnings after all required payments are made.

For the year ended July 31, 2020, all transfers were made as required.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(14) Compensation of Village Officials

A detail of compensation paid to individual elected officials for the year ended July 31, 2020 is as follows:

Marx Budden, Mayor	\$ 6,192
Aldermen:	
Guyton Budden	2,385
Joseph Irving, Jr.	2,385
Judy Dupre	<u>2,385</u>
Total	<u>\$ 13,347</u>

(15) Compensation, Benefits and Other Payments to Mayor

A detail of compensation, benefits, and other payments made to Mayor Marx Budden for the year ended July 31, 2020 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 6,192
Reimbursements	<u>4,140</u>
Total	<u>\$ 10,332</u>

(16) Related Party Transactions

During the normal course of operations, the Village conducts business with a local general store owned by Guyton Budden, a member of the Board of Aldermen. The amount purchased by the Village for the year ended July 31, 2020 totaled \$3,565. It is the opinion of management that such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any unfavorable features to the Village.

(17) Litigation and Claims

There was no pending litigation against the Village at July 31, 2020.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(18) Risk Management

The Village is exposed to risks of loss in the areas of general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

(19) Interfund Balances

A. Interfund receivables and payables, by fund, at July 31, 2020 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental fund:		
General Fund	\$ 16,428	\$ 11,147
Proprietary funds:		
Water	-	22,694
Gas	<u>17,413</u>	<u>-</u>
Total proprietary funds	<u>17,413</u>	<u>22,694</u>
Total	<u>\$ 33,841</u>	<u>\$ 33,841</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

B. Transfers, by fund, at July 31, 2020 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental fund:		
General Fund	\$ 15,000	\$ 2,384
Proprietary funds:		
Water	-	15,000
Gas	<u>2,384</u>	<u>-</u>
Total proprietary funds	<u>2,384</u>	<u>15,000</u>
Total	<u>\$ 17,384</u>	<u>\$ 17,384</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**REQUIRED SUPPLEMENTARY
INFORMATION**

VILLAGE OF PALMETTO, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended July 31, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 15,600	\$ 15,500	\$ 15,898	\$ 398
Licenses and permits	13,002	11,502	18,931	7,429
Intergovernmental	400	658	13,603	12,945
Charges for services	37,550	38,220	37,683	(537)
Fines and forfeits	1,500	6,000	6,686	686
Interest	-	2	1	(1)
Miscellaneous	25,200	21,000	19,920	(1,080)
Total revenues	<u>93,252</u>	<u>92,882</u>	<u>112,722</u>	<u>19,840</u>
Expenditures:				
Current -				
General government:	56,175	65,222	62,702	2,520
Public safety	39,033	26,550	23,899	2,651
Highways and streets	33,304	35,825	30,951	4,874
Debt service	8,556	8,556	8,556	-
Capital outlay	<u>3,000</u>	<u>10,200</u>	<u>10,550</u>	<u>(350)</u>
Total expenditures	<u>140,068</u>	<u>146,353</u>	<u>136,658</u>	<u>9,695</u>
Deficiency of revenues over expenditures	(46,816)	(53,471)	(23,936)	29,535
Other financing sources:				
Transfers in	<u>50,000</u>	<u>36,000</u>	<u>12,616</u>	<u>(23,384)</u>
Net change in fund balance	3,184	(17,471)	(13,704)	3,767
Fund balance, beginning	<u>38,364</u>	<u>38,364</u>	<u>38,364</u>	<u>-</u>
Fund balance, ending	<u>\$ 41,548</u>	<u>\$ 20,893</u>	<u>\$ 24,660</u>	<u>\$ 3,767</u>

The accompanying notes are an integral part of this schedule.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Required Supplementary Information

(1) Budget and Budgetary Accounting

The Village follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk prepares a proposed operating budget for the General Fund for the fiscal year and submits it to the Mayor and Board of Aldermen prior to the beginning of the fiscal year.
2. The proposed budget is discussed and adopted at the public meeting when presented.
3. The General Fund budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
4. Any amendment to the adopted budget must be approved by the Board of Aldermen.
5. All budgetary appropriations lapse at the end of each fiscal year. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen. Such amendments were not material to the original appropriations.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended July 31, 2020

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Taxes:				
Ad valorem	\$ 5,100	\$ 5,000	\$ 5,242	\$ 242
Franchise	8,000	9,500	9,700	200
Other	<u>2,500</u>	<u>1,000</u>	<u>956</u>	<u>(44)</u>
Total taxes	<u>15,600</u>	<u>15,500</u>	<u>15,898</u>	<u>398</u>
Licenses and permits	<u>13,002</u>	<u>11,502</u>	<u>18,931</u>	<u>7,429</u>
Intergovernmental:				
Federal grants	-	-	13,050	13,050
Local grants	-	258	258	-
Beer tax	<u>400</u>	<u>400</u>	<u>295</u>	<u>(105)</u>
Total intergovernmental	<u>400</u>	<u>658</u>	<u>13,603</u>	<u>12,945</u>
Charges for services:				
Grass cutting	24,050	24,020	23,490	(530)
Gym membership	1,500	500	435	(65)
Rental income	<u>12,000</u>	<u>13,700</u>	<u>13,758</u>	<u>58</u>
Total charges for services	<u>37,550</u>	<u>38,220</u>	<u>37,683</u>	<u>(537)</u>
Fines and forfeits	<u>1,500</u>	<u>6,000</u>	<u>6,686</u>	<u>686</u>
Interest	<u>-</u>	<u>2</u>	<u>1</u>	<u>(1)</u>
Miscellaneous:				
Racino revenue	24,000	19,000	17,561	(1,439)
Other	<u>1,200</u>	<u>2,000</u>	<u>2,359</u>	<u>359</u>
Total miscellaneous	<u>25,200</u>	<u>21,000</u>	<u>19,920</u>	<u>(1,080)</u>
Total revenues	<u>\$ 93,252</u>	<u>\$ 92,882</u>	<u>\$ 112,722</u>	<u>\$ 19,840</u>

VILLAGE OF PALMETTO, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended July 31, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current:				
General government -				
Mayor's salary	\$ 350	\$ 350	\$ 382	\$ (32)
Clerk's salary	20,800	24,000	20,989	3,011
Payroll taxes	1,618	1,865	1,631	234
Bank service charges	120	120	245	(125)
Advertising	800	200	15	185
Travel and meetings	600	200	-	200
Tax roll preparation	1,600	1,600	1,535	65
Insurance	4,000	4,800	5,142	(342)
Town hall expense	2,500	1,800	1,562	238
Municipal dues	655	655	554	101
Professional fees	9,350	11,150	12,508	(1,358)
Office supplies	3,250	3,250	3,334	(84)
Fitness center	100	100	-	100
Computer repair and maintenance	3,000	1,500	1,114	386
Repairs and maintenance	5,000	11,000	10,800	200
Miscellaneous	2,432	2,632	2,891	(259)
Total general government	<u>56,175</u>	<u>65,222</u>	<u>62,702</u>	<u>2,520</u>
Public safety -				
Police:				
Salaries	29,989	21,400	20,676	724
Payroll taxes	2,294	1,650	1,471	179
Insurance	3,200	1,500	1,091	409
Uniforms	200	100	-	100
Supplies and auto	2,800	1,400	574	826
Travel and meetings	300	-	-	-
Miscellaneous	250	500	87	413
Total public safety	<u>39,033</u>	<u>26,550</u>	<u>23,899</u>	<u>2,651</u>
Highways and streets -				
Salaries - street	18,304	17,200	15,210	1,990
Payroll taxes - street	1,400	1,325	1,164	161
Street supplies	1,600	3,000	3,175	(175)
Insurance	3,500	5,500	5,078	422
Auto and tractor	4,500	3,000	1,993	1,007
Fuel	4,000	5,800	4,331	1,469
Total highways and streets	<u>33,304</u>	<u>35,825</u>	<u>30,951</u>	<u>4,874</u>
Debt service:				
Retirement of principal	7,425	8,043	8,043	-
Interest and fiscal charges	1,131	513	513	-
Total debt service	<u>8,556</u>	<u>8,556</u>	<u>8,556</u>	<u>-</u>
Capital outlay	<u>3,000</u>	<u>10,200</u>	<u>10,550</u>	<u>(350)</u>
Total expenditures	<u>\$ 140,068</u>	<u>\$ 146,353</u>	<u>\$ 136,658</u>	<u>\$ 9,695</u>

VILLAGE OF PALMETTO, LOUISIANA

Comparative Balance Sheets
Water Utility Fund
July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 34,959	\$ 100,638
Receivables -		
Accounts, net	28,262	37,492
Due from other funds	-	2,694
Total current assets	<u>65,724</u>	<u>196,439</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	70,864	67,274
Investments	83,118	65,467
Capital assets, net	<u>1,693,147</u>	<u>1,764,152</u>
Total noncurrent assets	<u>1,847,129</u>	<u>1,896,893</u>
Total assets	<u>\$ 1,912,853</u>	<u>\$ 2,093,332</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable and other payables	\$ 8,825	\$ 134,168
Due to other funds	22,694	5,267
Capital lease payable	<u>3,259</u>	<u>2,858</u>
Total	<u>34,778</u>	<u>142,293</u>
Current liabilities (payable from restricted assets):		
Customer deposits	36,088	32,498
Revenue bonds payable	19,196	18,737
Accrued interest payable	<u>3,469</u>	<u>3,850</u>
Total	<u>58,753</u>	<u>55,085</u>
Total current liabilities	<u>93,531</u>	<u>197,378</u>
Noncurrent liabilities:		
Revenue bonds payable	362,432	381,627
Capital lease payable	<u>2,909</u>	<u>5,925</u>
Total noncurrent liabilities	<u>365,341</u>	<u>387,552</u>
Total liabilities	<u>458,872</u>	<u>584,930</u>
Net position:		
Net investment in capital assets	1,324,547	1,373,742
Restricted for debt service	95,229	77,656
Unrestricted	<u>34,205</u>	<u>57,004</u>
Total net position	<u>1,453,981</u>	<u>1,508,402</u>
Total liabilities and net position	<u>\$ 1,912,853</u>	<u>\$ 2,093,332</u>

VILLAGE OF PALMETTO, LOUISIANA

Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
 Water Utility Fund
 For the Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$ 249,704	\$ 256,907
Miscellaneous	<u>13,886</u>	<u>12,336</u>
Total operating revenues	<u>263,590</u>	<u>269,243</u>
Operating expenses:		
Personnel costs	84,776	90,210
Operations and maintenance	70,631	50,729
Truck expenses	6,555	3,914
Travel	-	520
Office supplies and expenses	7,242	7,465
Computer	1,410	536
Telephone and utilities	18,561	18,473
Insurance	23,867	24,604
Professional fees	7,560	6,142
Depreciation	71,005	75,436
Bad debt (recovery)	-	4,931
Other	<u>8,089</u>	<u>6,569</u>
Total operating expenses	<u>299,696</u>	<u>289,529</u>
Operating loss	<u>(36,106)</u>	<u>(20,286)</u>
Nonoperating revenues (expenses):		
Interest income	1,529	3,025
Interest expense	<u>(17,912)</u>	<u>(18,941)</u>
Total nonoperating revenues (expenses)	<u>(16,383)</u>	<u>(15,916)</u>
Loss before contributions and transfers	(52,489)	(36,202)
Capital contributions	<u>13,068</u>	<u>65,875</u>
Income (loss) before transfers	(39,421)	29,673
Transfers out	<u>(15,000)</u>	<u>(37,632)</u>
Change in net position	(54,421)	(7,959)
Net position, beginning	<u>1,508,402</u>	<u>1,516,361</u>
Net position, ending	<u>\$1,453,981</u>	<u>\$1,508,402</u>

VILLAGE OF PALMETTO, LOUISIANA
Enterprise Fund
Water Utility Fund

Schedule of Number of Utility Customers and Water Rates
(Unaudited)
July 31, 2020

Records maintained by the Village of Palmetto, Louisiana indicated the following number of customers were being serviced during the month of July 2020:

	<u>Water</u>
Residential	673
Commercial	<u>40</u>
Total	<u><u>713</u></u>

The residential and commercial water rates for of the Village are as follows:

Water:

\$18.00 per month for the first 2,000 gallons, then
\$ 4.50 per 1,000 gallons or part thereof over 2,000 gallons

Penalty for paying water bill after due date:
Additional ten percent (10%) of total water charge

VILLAGE OF PALMETTO, LOUISIANA
Enterprise Fund
Water Utility Fund

Schedule of Aged Accounts Receivable
(Unaudited)
July 31, 2020

The aging of accounts receivable is as follows:

	<u>Water</u>
Current	\$19,703
31 - 60 days	5,607
Over 60 days	<u>10,203</u>
Total	<u>\$35,513</u>

VILLAGE OF PALMETTO, LOUISIANA
Enterprise Fund
Water Utility Fund

Schedule of Insurance in Force
(Unaudited)
July 31, 2020

Coverage Provided For	Limits of Coverage (in dollars)	Description of Limits	Expiration Date
Workmen's Compensation:			
Employer's liability - Accident	\$1,000,000	Bodily injury by accident each accident	01/01/21
Employer's liability - Disease	\$1,000,000	Bodily injury by disease policy limit	01/01/21
Employer's liability - Disease	\$1,000,000	Bodily injury by disease each employee	01/01/21
Surety Bonds:			
Mayor	\$ 50,000	Each occurrence	04/22/21
Mayor Pro Tem	\$ 50,000	Each occurrence	04/22/21
Municipal Clerk	\$ 50,000	Each occurrence	04/22/21
Assistant Municipal Clerk	\$ 50,000	Each occurrence	04/22/21
Assistant Clerk	\$ 50,000	Each occurrence	04/22/21
Water & Gas Superintendent	\$ 50,000	Each occurrence	04/22/21
Errors and Omissions:	\$ 500,000		05/01/21
Automobile Liability:			
Bodily Injury and Property Damage	\$ 500,000	Owned Automobiles Hired and Non-Owned Automobiles	05/01/21
Physical Property Damage	\$ 15,000	2006 C7500 Dump Truck	03/08/21
Commercial General liability:			
Bodily Injury and Property Damage			
Premises Operations	\$ 500,000	Per occurrence	05/01/21
Products Completed Operations	\$ 500,000	Aggregate	05/01/21
	\$ 1,000	Medical payments per person	05/01/21
	\$ 10,000	Medical payments per accident	05/01/21
	\$ 50,000	Fire Legal Liability per occurrence	05/01/21
Law Enforcement Officer:			
Personal Injury and Property Damage	\$ 500,000		05/01/21
Commercial:			
Elevated Water Tank	\$ 468,180	Per Occurrence/Per Location/Per Building	06/15/21
Town Hall/Fire Department/Jail	\$ 709,553	Per Occurrence/Per Location/Per Building	06/15/21
Town Hall/Fire Department/Jail - Personal Property	\$ 100,000	Per Occurrence/Per Location/Per Building	06/15/21
Post Office Building	\$ 374,544	Per Occurrence/Per Location/Per Building	06/15/21
Medical Office Building	\$ 468,180	Per Occurrence/Per Location/Per Building	06/15/21
Medical Office Building - Personal Property	\$ 50,000	Per Occurrence/Per Location/Per Building	06/15/21
Building	\$ 20,808	Per Occurrence/Per Location/Per Building	06/15/21
15HP Electrical Motor	\$ 185,000	Per Occurrence/Per Location/Per Building	06/15/21
2 Chlorinators	\$ 12,000	Per Occurrence/Per Location/Per Building	06/15/21
Control Panel	\$ 3,000	Per Occurrence/Per Location/Per Building	06/15/21
Miscellaneous	\$ 50,000	Per Occurrence/Per Location/Per Building	06/15/21
Water Tank 01	\$ 36,414	Per Occurrence/Per Location/Per Building	06/15/21
Water Tank 02	\$ 104,040	Per Occurrence/Per Location/Per Building	06/15/21
Water Tank 03	\$ 104,040	Per Occurrence/Per Location/Per Building	06/15/21
Well 1	\$ 52,020	Per Occurrence/Per Location/Per Building	06/15/21
Well 2	\$ 52,020	Per Occurrence/Per Location/Per Building	06/15/21
Well 3	\$ 52,020	Per Occurrence/Per Location/Per Building	06/15/21

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

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Joseph Irving, Jr., Mayor
and Members of the Board of Aldermen
Village of Palmetto, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Palmetto, Louisiana, as of and for the year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Palmetto, Louisiana's basic financial statements and have issued our report thereon dated April 6, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2020-001, 2020-002, and 2020-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Palmetto, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2020-004.

Village of Palmetto, Louisiana's Response to Findings

The Village of Palmetto, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Village of Palmetto, 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 Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Ville Platte, Louisiana
April 6, 2021

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
For the Year Ended July 31, 2020

Part I. Current Year Findings and Management's Corrective Action Plan

A. Internal Control over Financial Reporting –

2020-001 Inadequate Segregation of Duties

Fiscal year finding initially occurred: Unknown

CONDITION: The Village did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C§315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Village does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) record keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village has determined that it is not cost effective to achieve complete segregation of duties within the accounting department.

2020-002 Cutoff Policy

Fiscal year finding initially occurred: 2017

CONDITION: During a test of utility accounts of the Village's customers, it was noted that some accounts are not being paid in full or timely, and the customers, including employees and village officials, continue to receive service in violation of the Village's cutoff policy.

CRITERIA: The Village's cutoff policy states that a utility customer will be cut off on or after the 20th of each month when a delinquent balance remains.

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended July 31, 2020

CAUSE: The Village has not properly followed its written policies and procedures regarding past due accounts and the proper cut-off procedures to disconnect services relating to nonpayment by customers.

EFFECT: Failure to follow written policies and procedures increases the risk of not having continuity of operations and the risk of long outstanding collections of utilities.

RECOMMENDATION: Management should consistently comply with its written policies and procedures in the future and cut off utility services of customers, including employees and village officials, who do not pay within the time limit stated in the cutoff policy.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village will adhere to the established cutoff policy in the future.

2020-003 Maintenance of Personnel Files

Fiscal year finding initially occurred: 2018

CONDITION: The Village does not have proper controls over the maintenance of personnel files or the processing of payroll. Documentation of approved pay rates is not maintained in personnel files. In many instances, documentation for approved deductions and W-4 is not maintained in personnel files.

CRITERIA: AU-C§325.05, *Communicating Internal Control Related Matters Identified in an Audit*, states, in part:

“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 deficiency in design exists when:

- A control necessary to meet the control objectives is missing, or
- An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Errors or irregularities could be made in the recording of payroll transactions without being detected in a timely manner.

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended July 31, 2020

RECOMMENDATION: It is recommended that the Village establish policies and procedures to ensure that personnel files are complete and contain all required documentation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village will establish policies and procedures to ensure that personnel files are complete and contain all required documentation.

B. Compliance –

2020-004 Failure to Publish Minutes

Fiscal year finding initially occurred: 2019

CONDITION: The Village did not publish the minutes of its public meetings during the year.

CRITERIA: LA R.S. 42:20 states that all public bodies shall keep written minutes of all open meetings. It further states that the minutes shall be public records and shall be available within a reasonable period of time after the meeting and published in the public body's official journal. LA R.S. 43:144 requires the official proceedings to be published within 20 days from the date of the meeting.

CAUSE: The Village did not publish minutes of meeting in the official journal as required.

EFFECT: Members of the public were not provided information regarding the Village's activities in a timely manner.

RECOMMENDATION: The Village should comply with the provisions of LA R.S. 42:20 and 43:144 and publish all minutes in accordance with state law.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village will implement policies to ensure that minutes of all open meetings will be made available as public record and published in the official journal.

C. Management Letter –

A management letter was issued related to operating losses in the Gas Utility Fund and the Water Utility Fund and the gas loss which occurred in the Gas Utility Fund.

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended July 31, 2020

Part II. Prior Year Findings:

A. Internal Control over Financial Reporting

2019-001 Inadequate Segregation of Duties

CONDITION: The Village did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2020-001.

2019-002 Cut-off Policy

CONDITION: The Village did not adhere to its cutoff policy for delinquent utility customers including employees and public officials.

RECOMMENDATION: It is recommended that the Village implement procedures to ensure that the cutoff policy is followed and that aggressive collection attempts be made to collect all past due accounts.

CURRENT STATUS: Unresolved. See item 2020-002.

2019-003 Persomnel Files

CONDITION: The Village did not have proper controls over the maintenance of persomnel files or the processing of payroll.

RECOMMENDATION: It is recommended that the Village establish policies and procedures to ensure that persomnel files are complete and contain all required documentation. Procedures should also be implemented to ensure that timecards are properly approved, and employees are paid for actual time worked.

CURRENT STATUS: Partially resolved. See item 2020-003.

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended July 31, 2020

B. Compliance –

2019-004 Failure to Publish Minutes

CONDITION: The Village did not publish the minutes of its public meetings during the year.

RECOMMENDATION: The Village should comply with the provisions of LA R.S. 42:20 and 43:144 and publish all minutes in accordance with state law.

CURRENT STATUS: Unresolved. See item 2020-004.

KOLDER, SLAVEN & COMPANY, LLC

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MANAGEMENT LETTER

The Honorable Joseph Irving, Jr., Mayor
and Members of the Board of Aldermen
Village of Palmetto, Louisiana

We have completed our audit of the basic financial statements of the Village of Palmetto, Louisiana for the year ended July 31, 2020, and submit the following recommendations for your consideration:

- (1) A continuing significant gas loss occurred in the Gas Utility Fund. Despite efforts to locate and repair gas leaks, this loss has increased from prior years. The Village should investigate possible reasons for the significant gas loss and continue efforts to reduce the loss.
- (2) The Gas Utility Fund and the Water Utility Fund experienced operating losses of \$58,244 and \$36,106, respectively, during the current year. The Village should evaluate operations to determine methods to increase revenues and/or reduce expenses in order to operate at a surplus.

In conclusion, we express our appreciation to you and your staff, particularly to your office staff, for the courtesies and assistance rendered to us during the performance of our audit. Should you have any questions or need assistance in implementing our recommendations, please feel free to contact us.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Ville Platte, Louisiana
April 6, 2021