

VILLAGE OF PALMETTO, LOUISIANA

Financial Report

Year Ended July 31, 2019

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INDEPENDENT AUDITOR'S REPORT

The Honorable Marx Budden, 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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of 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 2018 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 January 17, 2020, 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 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 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
January 17, 2020

BASIC FINANCIAL STATEMENTS

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

VILLAGE OF PALMETTO, LOUISIANA

Statement of Net Position

July 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 28,315	\$ 187,510	\$ 215,825
Investments	100	83,634	83,734
Receivables	692	53,350	54,042
Due from other governmental agencies	3,974	55,615	59,589
Restricted assets:			
Cash and interest-bearing deposits	-	87,400	87,400
Investments	-	69,967	69,967
Capital assets:			
Land	5,250	32,069	37,319
Construction in progress	-	120,709	120,709
Capital assets, net	<u>581,704</u>	<u>1,749,991</u>	<u>2,331,695</u>
Total assets	<u>620,035</u>	<u>2,440,245</u>	<u>3,060,280</u>
LIABILITIES			
Accounts and other payables	13,408	154,193	167,601
Interest payable	-	3,850	3,850
Internal balances	(18,691)	18,691	-
Customer deposits	-	57,124	57,124
Long-term liabilities:			
Bonds, notes, and leases due within one year	8,043	24,453	32,496
Bonds, notes, and leases due after one year	<u>7,680</u>	<u>393,477</u>	<u>401,157</u>
Total liabilities	<u>10,440</u>	<u>651,788</u>	<u>662,228</u>
NET POSITION			
Net investment in capital assets	571,231	1,503,576	2,074,807
Restricted for debt service	-	77,656	77,656
Unrestricted	<u>38,364</u>	<u>207,225</u>	<u>245,589</u>
Total net position	<u>\$ 609,595</u>	<u>\$ 1,788,457</u>	<u>\$ 2,398,052</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, 2019

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	\$ 59,466	\$ 13,008	\$ -	\$ -	\$ (46,458)	\$ -	\$ (46,458)
Public safety	18,806	2,880	-	4,375	(11,551)	-	(11,551)
Highways and streets	55,220	24,648	-	290	(30,282)	-	(30,282)
Interest on long-term debt	847	-	-	-	(847)	-	(847)
Total governmental activities	<u>134,339</u>	<u>40,536</u>	<u>-</u>	<u>4,665</u>	<u>(89,138)</u>	<u>-</u>	<u>(89,138)</u>
Business-type activities:							
Gas	287,151	221,258	-	-	-	(65,893)	(65,893)
Water	<u>308,470</u>	<u>269,243</u>	<u>-</u>	<u>65,875</u>	<u>-</u>	<u>26,648</u>	<u>26,648</u>
Total business-type activities	<u>595,621</u>	<u>490,501</u>	<u>-</u>	<u>65,875</u>	<u>-</u>	<u>(39,245)</u>	<u>(39,245)</u>
Total	<u>\$ 729,960</u>	<u>\$ 531,037</u>	<u>\$ -</u>	<u>\$ 70,540</u>	<u>\$ (89,138)</u>	<u>\$ (39,245)</u>	<u>\$ (128,383)</u>
General revenues:							
Taxes					15,979	-	15,979
Licenses and permits					17,529	-	17,529
Grants and contributions not restricted to specific programs					24,401	-	24,401
Interest and investment earnings					6	5,687	5,693
Miscellaneous					730	-	730
Transfers					<u>9,632</u>	<u>(9,632)</u>	<u>-</u>
Total general revenues and transfers					<u>68,277</u>	<u>(3,945)</u>	<u>64,332</u>
Change in net position					(20,861)	(43,190)	(64,051)
Net position - August 1, 2018					<u>630,456</u>	<u>1,831,647</u>	<u>2,462,103</u>
Net position - July 31, 2019					<u>\$ 609,595</u>	<u>\$ 1,788,457</u>	<u>\$2,398,052</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, 2019

ASSETS

Cash and interest-bearing deposits	\$ 28,315
Investments	100
Due from other governmental agencies	3,974
Due from other funds	30,556
Other receivables	<u>692</u>
Total assets	<u>\$ 63,637</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 8,337
Accrued liabilities	5,071
Due to other funds	<u>11,865</u>
Total liabilities	25,273
Fund balance:	
Unassigned	<u>38,364</u>
Total liabilities and fund balance	<u>\$ 63,637</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, 2019

Total fund balance for the governmental fund at July 31, 2019		\$ 38,364
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 \$164,611 accumulated depreciation	68,349	
Buildings and improvements, net of \$283,360 accumulated depreciation	128,993	
Equipment, net of \$169,307 accumulated depreciation	175,433	
Infrastructure, net of \$208,110 accumulated depreciation	<u>208,929</u>	586,954
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>(15,723)</u>
Total net position of governmental activities at July 31, 2019		<u>\$ 609,595</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, 2019

Revenues:	
Taxes	\$ 15,979
Licenses and permits	17,529
Intergovernmental	5,086
Charges for services	37,656
Fines and forfeits	2,880
Interest	6
Miscellaneous	<u>24,710</u>
Total revenues	<u>103,846</u>
Expenditures:	
Current -	
General government	35,856
Public safety	15,234
Highways and streets	15,370
Debt service	8,556
Capital outlay	<u>8,459</u>
Total expenditures	<u>83,475</u>
Excess of revenues over expenditures	20,371
Other financing sources:	
Transfers in	<u>9,632</u>
Net change in fund balance	30,003
Fund balance, beginning	<u>8,361</u>
Fund balance, ending	<u>\$ 38,364</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, 2019

Total net change in fund balance for the year ended July 31, 2019 per the
statement of revenues, expenditures and changes in fund balance \$ 30,003

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.

Capital outlay which is considered expenditures on the statement of revenues, expenditures and changes in fund balance	\$ 5,159	
Depreciation expense for the year ended July 31, 2019	<u>(63,732)</u>	(58,573)

Bond and capital lease proceeds are reported as financing sources in
governmental funds and thus contribute to the change in fund balance.
In the statement of net position, however, issuing debt increases long-
term liabilities and does not affect the statement of activities. Similarly,
repayment of principal and capital leases are recorded as expenditures
in the governmental funds but reduce liability in the statement of net
position. Also, governmental funds report the effect of premiums,
discounts, and similar items when debt is first issued, whereas these
amounts are deferred and amortized in the statement of activities:

Repayment of long-term debt		<u>7,709</u>
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Total change in net position for the year ended July 31, 2019 per the
statement of activities \$ (20,861)

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, 2019

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 86,872	\$ 100,638	\$ 187,510
Investments	83,634	-	83,634
Receivables -			
Accounts, net	15,858	37,492	53,350
Due from other governmental agencies	-	55,615	55,615
Due from other funds	5,126	2,694	7,820
Total current assets	<u>191,490</u>	<u>196,439</u>	<u>387,929</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing deposits	20,126	67,274	87,400
Investments	4,500	65,467	69,967
Land	29,238	2,831	32,069
Construction in progress	-	120,709	120,709
Capital assets, net	<u>109,379</u>	<u>1,640,612</u>	<u>1,749,991</u>
Total noncurrent assets	<u>163,243</u>	<u>1,896,893</u>	<u>2,060,136</u>
Total assets	<u>354,733</u>	<u>2,093,332</u>	<u>2,448,065</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and other payables	20,025	134,168	154,193
Due to other funds	21,244	5,267	26,511
Capital lease payable	2,858	2,858	5,716
Total	<u>44,127</u>	<u>142,293</u>	<u>186,420</u>
Current liabilities (payable from restricted assets):			
Customer deposits	24,626	32,498	57,124
Revenue bonds payable	-	18,737	18,737
Accrued interest payable	-	3,850	3,850
Total	<u>24,626</u>	<u>55,085</u>	<u>79,711</u>
Total current liabilities	<u>68,753</u>	<u>197,378</u>	<u>266,131</u>
Noncurrent liabilities:			
Revenue bonds payable	-	381,627	381,627
Capital lease payable	5,925	5,925	11,850
Total noncurrent liabilities	<u>5,925</u>	<u>387,552</u>	<u>393,477</u>
Total liabilities	<u>74,678</u>	<u>584,930</u>	<u>659,608</u>
NET POSITION			
Net investment in capital assets	129,834	1,373,742	1,503,576
Restricted for debt service	-	77,656	77,656
Unrestricted	<u>150,221</u>	<u>57,004</u>	<u>207,225</u>
Total net position	<u>\$ 280,055</u>	<u>\$ 1,508,402</u>	<u>\$ 1,788,457</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, 2019

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 215,079	\$ 256,907	\$ 471,986
Miscellaneous	<u>6,179</u>	<u>12,336</u>	<u>18,515</u>
Total operating revenues	<u>221,258</u>	<u>269,243</u>	<u>490,501</u>
Operating expenses:			
Gas purchases	43,222	-	43,222
Personnel costs	106,907	90,210	197,117
Operating and maintenance	27,551	50,729	78,280
Truck expenses	4,771	3,914	8,685
Travel	-	520	520
Office supplies and expenses	17,945	7,465	25,410
Computer	536	536	1,072
Telephone and utilities	23,848	18,473	42,321
Insurance	28,686	24,604	53,290
Professional fees	6,142	6,142	12,284
Depreciation	19,409	75,436	94,845
Bad debts	5,291	4,931	10,222
Other	<u>2,293</u>	<u>6,569</u>	<u>8,862</u>
Total operating expenses	<u>286,601</u>	<u>289,529</u>	<u>576,130</u>
Operating loss	<u>(65,343)</u>	<u>(20,286)</u>	<u>(85,629)</u>
Nonoperating revenues (expenses):			
Interest income	2,662	3,025	5,687
Interest expense	<u>(550)</u>	<u>(18,941)</u>	<u>(19,491)</u>
Total nonoperating revenues (expenses)	<u>2,112</u>	<u>(15,916)</u>	<u>(13,804)</u>
Loss before contributions and transfers	(63,231)	(36,202)	(99,433)
Capital contributions	<u>-</u>	<u>65,875</u>	<u>65,875</u>
Income (loss) before transfers	(63,231)	29,673	(33,558)
Transfers in (out):			
Transfers in	28,000	-	28,000
Transfers out	<u>-</u>	<u>(37,632)</u>	<u>(37,632)</u>
Total transfers in (out)	<u>28,000</u>	<u>(37,632)</u>	<u>(9,632)</u>
Change in net position	(35,231)	(7,959)	(43,190)
Net position, beginning	<u>315,286</u>	<u>1,516,361</u>	<u>1,831,647</u>
Net position, ending	<u>\$ 280,055</u>	<u>\$ 1,508,402</u>	<u>\$ 1,788,457</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, 2019

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 210,980	\$ 254,443	\$ 465,423
Payments to suppliers	(146,305)	494	(145,811)
Payments to employees	(106,907)	(90,210)	(197,117)
Other receipts	<u>6,179</u>	<u>12,336</u>	<u>18,515</u>
Net cash provided (used) by operating activities	<u>(36,053)</u>	<u>177,063</u>	<u>141,010</u>
Cash flows from noncapital financing activities:			
Net transfers from (to) other funds	43,193	(37,607)	5,586
Net increase (decrease) in customer deposits	<u>(1,540)</u>	<u>2,360</u>	<u>820</u>
Net cash provided (used) by noncapital financing activities	<u>41,653</u>	<u>(35,247)</u>	<u>6,406</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds and leases payable	(2,710)	(20,008)	(22,718)
Interest and fiscal charges paid on bonds and leases payable	(550)	(19,287)	(19,837)
Net acquisition and construction of capital assets	-	(120,709)	(120,709)
Proceeds from grants	<u>-</u>	<u>10,260</u>	<u>10,260</u>
Net cash used by capital and related financing activities	<u>(3,260)</u>	<u>(149,744)</u>	<u>(153,004)</u>
Cash flows from investing activities:			
Net maturities of investments	17,338	44,731	62,069
Interest earned	<u>2,662</u>	<u>3,025</u>	<u>5,687</u>
Net cash provided by investing activities	<u>20,000</u>	<u>47,756</u>	<u>67,756</u>
Net increase in cash and cash equivalents	22,340	39,828	62,168
Cash and cash equivalents, beginning of period	<u>13,333</u>	<u>58,548</u>	<u>71,881</u>
Cash and cash equivalents, end of period	<u>\$ 35,673</u>	<u>\$ 98,376</u>	<u>\$ 134,049</u>

(continued)

VILLAGE OF PALMETTO, LOUISIANA

Statement of Cash Flows
 Proprietary Funds (Continued)
 Business-Type Activities - Enterprise Funds
 For the Year Ended July 31, 2019

	<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	\$ (65,343)	\$ (20,286)	\$ (85,629)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	19,409	75,436	94,845
Changes in current assets and liabilities:			
(Increase) decrease in accounts receivable	7,429	(7,813)	(384)
Increase (decrease) in provision for uncollectible accounts	(11,528)	5,349	(6,179)
Increase in accounts and other payables	<u>13,980</u>	<u>124,377</u>	<u>138,357</u>
Net cash provided (used) by operating activities	<u>\$ (36,053)</u>	<u>\$ 177,063</u>	<u>\$ 141,010</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	\$ 62,514	\$ 62,704	\$ 125,218
Cash and interest-bearing deposits - restricted	21,666	64,914	86,580
Less: Interest-bearing deposits with maturity in excess of 90 days	<u>(70,847)</u>	<u>(69,070)</u>	<u>(139,917)</u>
Total cash and cash equivalents	<u>13,333</u>	<u>58,548</u>	<u>71,881</u>
Cash and cash equivalents, end 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>
Net increase	<u>\$ 22,340</u>	<u>\$ 39,828</u>	<u>\$ 62,168</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.

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, 2019 for the Gas and Water Fund was \$9,816 and \$10,703, 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, 2019.

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, 2019.

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, 2019, the Village reported \$77,656 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:

- a. Nonspendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements requiring they remain intact.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

- 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 during the reporting period. Actual results could differ from those estimates.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) 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, 2019, taxes of 5.85 mills were levied on property with assessed valuations totaling \$881,420 with a total taxes being levied of \$5,157. Ad valorem taxes are dedicated to general corporate purposes.

(3) 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, 2019, the Village had cash and interest-bearing deposits (book balances) totaling \$303,225 as follows:

Demand deposits	\$ 162,364
Certificates of deposit	<u>140,861</u>
Total	<u>\$ 303,225</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 \$307,933 at July 31, 2019 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)

(4) Investments

At July 31, 2019, the Village's investments consisted of the following:

Investment Type	% of Portfolio	Fair Value	Less Than One Year	One - Five Years
Governmental Activities:				
Louisiana Asset Management Pool (LAMP)	0.07%	\$ 100	\$ 100	\$ -
Business-Type Activities:				
Louisiana Asset Management Pool (LAMP)	54.41%	83,634	83,634	-
Louisiana Asset Management Pool (LAMP) - Restricted	45.52%	69,967	69,967	-
Total business-type activities	99.93%	153,601	153,601	-
Total investments	100%	\$ 153,701	\$ 153,701	\$ -

Interest Rate Risk – The Village does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk/Concentration of Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village limits investments to government securities that are direct and indirect obligations of the United States government. At July 31, 2019, the Village did not have any such investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of a counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village requires all investments to be in the Village's name and all ownership securities to be evidenced by an acceptable safekeeping receipt issued by a third-party financial institution which is acceptable to the Village. Accordingly, the Village had no custodial credit risk related to its investments.

The Village participates in the Louisiana Asset Management Pool (LAMP). LAMP is an investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment. LAMP is not registered with the Securities and Exchange Commission (SEC) as an investment company. LAMP is intended to improve administrative efficiency and increase yield of participating public entities. LAMP's portfolio securities are valued at market value even though the amortized cost method is permitted by Rule 2a-7 of the Investment Company Act of 1940, as amended, which governs registered money market funds. Because the LAMP is not a money market fund, it has no obligation to conform to this rule.

The investment in LAMP is not exposed to custodial credit risk and is not categorized in the three categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP has a fund rating of AAA issued by Standard & Poor's. The fair value of investments is determined on a weekly basis by LAMP, and the fair value of the Village's investment in LAMP is the same as the value of the pool shares.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Receivables

Receivables consisted of the following at July 31, 2019:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
Accounts	\$ -	\$ 62,502	\$ 62,502
Unbilled utility	-	11,297	11,297
Allowance for uncollectible accounts	-	(20,519)	(20,519)
Franchise tax	692	-	692
Other	-	70	70
Totals	<u>\$ 692</u>	<u>\$ 53,350</u>	<u>\$ 54,042</u>

(6) Due from Other Governmental Agencies

Due from other governmental agencies consisted of the following at July 31, 2019:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
State of Louisiana -			
Department of Transportation - line relocation	\$ -	\$ 50,058	\$ 50,058
Division of Administration - LGAP grant	-	5,557	5,557
St. Landry Parish - Racino funds	3,974	-	3,974
	<u>\$ 3,974</u>	<u>\$ 55,615</u>	<u>\$ 59,589</u>

(7) Restricted Assets

Restricted assets in the Enterprise Utility Funds consisted of the following at July 31, 2019:

	<u>Gas Utility Fund</u>	<u>Water Utility Fund</u>	<u>Total</u>
Customer deposits	\$ 24,626	\$ 32,498	\$ 57,124
Reveune bond reserve fund	-	49,491	49,491
Depreciation and contingencies fund	-	39,693	39,693
Bond and interest amortization fund	-	11,059	11,059
	<u>\$ 24,626</u>	<u>\$ 132,741</u>	<u>\$ 157,367</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended July 31, 2019 was as follows:

	<u>Balance 8/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 7/31/2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and construction in progress	\$ 72,721	\$ 4,375	\$ 71,846	\$ 5,250
Capital assets being depreciated:				
Land improvements	232,960	-	-	232,960
Buildings and improvements	412,353	-	-	412,353
Equipment	273,810	72,630	1,700	344,740
Infrastructure	417,039	-	-	417,039
Total capital assets being depreciated	<u>1,336,162</u>	<u>72,630</u>	<u>1,700</u>	<u>1,407,092</u>
Less accumulated depreciation				
Land improvements	154,837	9,774	-	164,611
Buildings and improvements	272,960	10,400	-	283,360
Equipment	144,825	26,182	1,700	169,307
Infrastructure	190,734	17,376	-	208,110
Total accumulated depreciation	<u>763,356</u>	<u>63,732</u>	<u>1,700</u>	<u>825,388</u>
Total net capital assets				
being depreciated	<u>572,806</u>	<u>8,898</u>	<u>-</u>	<u>581,704</u>
Governmental activities, net capital assets	<u>\$ 645,527</u>	<u>\$ 8,898</u>	<u>\$ -</u>	<u>\$ 586,954</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

	Balance 8/1/2018	Additions	Deletions	Balance 7/31/2019
Business-type activities:				
Capital assets not being depreciated:				
Land and construction in progress	\$ 32,069	\$ 120,709	\$ -	\$ 152,778
Capital assets being depreciated:				
Utility plant and equipment	3,753,454	-	-	3,753,454
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>-</u>	<u>-</u>	<u>4,049,151</u>
Less accumulated depreciation				
Utility plant and equipment	1,964,746	79,265	-	2,044,011
Furniture, fixtures, and equipment	59,115	686	-	59,801
Vehicles	25,385	7,065	-	32,450
Buildings	155,069	7,829	-	162,898
Total accumulated depreciation	<u>2,204,315</u>	<u>94,845</u>	<u>-</u>	<u>2,299,160</u>
Total net capital assets being depreciated	<u>1,844,836</u>	<u>(94,845)</u>	<u>-</u>	<u>1,749,991</u>
Business-type activities, net capital assets	<u>\$1,876,905</u>	<u>\$ (94,845)</u>	<u>\$ -</u>	<u>\$1,902,769</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 23,610
Public safety	3,572
Highways and streets	<u>36,550</u>
Total depreciation expense	<u>\$ 63,732</u>

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

Gas	\$ 19,409
Water	<u>75,436</u>
Total depreciation expense	<u>\$ 94,845</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Accounts and Other Payables

Accounts and other payables consisted of the following at July 31, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 8,337	\$ 42,684	\$ 51,021
Salaries payable	329	8,761	9,090
Payroll taxes payable	347	-	347
Contracts payable	-	96,691	96,691
Other payables	<u>4,395</u>	<u>6,057</u>	<u>10,452</u>
Totals	<u>\$ 13,408</u>	<u>\$ 154,193</u>	<u>\$ 167,601</u>

(10) Changes in Long-Term Liabilities

The following is a summary of long-term liability transactions of the Village for the year ended July 31, 2019:

	<u>Balance 8/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 7/31/2019</u>	<u>Amount due in one year</u>
Long-term debt:					
Revenue bonds	\$ 417,662	\$ -	\$ (17,298)	\$ 400,364	\$ 18,737
Capital leases	<u>46,418</u>	<u>-</u>	<u>(13,129)</u>	<u>33,289</u>	<u>13,759</u>
	<u>\$ 464,080</u>	<u>\$ -</u>	<u>\$ (30,427)</u>	<u>\$ 433,653</u>	<u>\$ 32,496</u>

Bonds payable at July 31, 2019 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%	\$ 28,000	\$ 9,000
	2/10/1993	1/1/2033	5.625%	58,579	2,862
	4/21/2005	4/1/2045	4.250%	<u>313,785</u>	<u>6,875</u>
Total business-type activities debt				<u>\$ 400,364</u>	<u>\$ 18,737</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Capital leases payable at July 31, 2019 consists of the following:

	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Balance Outstanding</u>
Equipment	\$ 38,615	7/21/2021	4.250%	\$ 15,723
Equipment	<u>28,572</u>	5/30/2022	5.351%	<u>17,566</u>
	<u>\$ 67,187</u>			<u>\$ 33,289</u>

Annual debt service requirements of bonds outstanding are as follows:

<u>Year Ending July 31</u>	<u>Business-type Activities Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 18,737	\$ 17,898	\$ 36,635
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 - 2029	67,094	63,779	130,873
2030 - 2034	78,813	46,203	125,016
2035 - 2039	70,834	25,355	96,189
2040 - 2044	87,573	12,817	100,390
2045	<u>14,553</u>	<u>246</u>	<u>14,799</u>
	<u>\$ 400,364</u>	<u>\$ 228,625</u>	<u>\$ 628,989</u>

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

<u>Year Ending July 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 13,759	\$ 1,316	\$ 15,075
2021	13,711	653	14,364
2022	<u>5,819</u>	<u>157</u>	<u>5,976</u>
	<u>\$ 33,289</u>	<u>\$ 2,126</u>	<u>\$ 35,415</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Leased equipment under capital lease is included in capital assets at July 31, 2019 as follows:

Equipment	\$ 104,598
Less: Accumulated depreciation	<u>(38,529)</u>
Net	<u>\$ 66,069</u>

Depreciation on equipment under capital lease in the amount of \$13,318 for the year ended July 31, 2019 is included in depreciation expense.

(11) 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, 2019, all transfers were made as required.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(12) Compensation of Village Officials

A detail of compensation paid to individual elected officials for the year ended July 31, 2019 is as follows:

Marx Budden, Mayor	\$ 6,242
Aldermen:	
Guyton Budden	2,296
Joseph Irving, Jr.	2,296
Judy Dupre	<u>2,296</u>
Total	<u>\$ 13,130</u>

(13) 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, 2019 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 6,242
Reimbursements	<u>1,110</u>
Total	<u>\$ 7,352</u>

(14) 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, 2019 totaled \$4,406. 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.

(15) Litigation and Claims

There was no pending litigation against the Village at July 31, 2019.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(17) Risk Management

The Village is exposed to risks of loss in the areas of health care, 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.

(18) Interfund Balances

A. Interfund receivables and payables, by fund, at July 31, 2019 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental fund:		
General Fund	<u>\$30,556</u>	<u>\$11,865</u>
Proprietary funds:		
Water	2,694	5,267
Gas	<u>5,126</u>	<u>21,244</u>
Total proprietary funds	<u>7,820</u>	<u>26,511</u>
Total	<u>\$38,376</u>	<u>\$38,376</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, 2019 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental fund:		
General Fund	<u>\$ 9,632</u>	<u>\$ -</u>
Proprietary funds:		
Water	-	37,632
Gas	<u>28,000</u>	<u>-</u>
Total proprietary funds	<u>28,000</u>	<u>37,632</u>
Total	<u>\$ 37,632</u>	<u>\$ 37,632</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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 15,000	\$ 15,500	\$ 15,979	\$ 479
Licenses and permits	16,502	12,502	17,529	5,027
Intergovernmental	400	4,190	5,086	896
Charges for services	41,500	35,550	37,656	2,106
Fines and forfeits	1,500	2,000	2,880	880
Interest	-	-	6	6
Miscellaneous	27,000	25,350	24,710	(640)
Total revenues	<u>101,902</u>	<u>95,092</u>	<u>103,846</u>	<u>8,754</u>
Expenditures:				
Current -				
General government:	55,047	38,512	35,856	2,656
Public safety	56,408	20,290	15,234	5,056
Highways and streets	35,387	18,300	15,370	2,930
Debt service	8,557	8,556	8,556	-
Capital outlay	3,000	14,000	8,459	5,541
Total expenditures	<u>158,399</u>	<u>99,658</u>	<u>83,475</u>	<u>16,183</u>
Excess (deficiency) of revenues over expenditures	(56,497)	(4,566)	20,371	24,937
Other financing sources:				
Transfers in	<u>60,000</u>	<u>6,222</u>	<u>9,632</u>	<u>3,410</u>
Net change in fund balance	3,503	1,656	30,003	28,347
Fund balance, beginning	<u>8,361</u>	<u>8,361</u>	<u>8,361</u>	<u>-</u>
Fund balance, ending	<u>\$ 11,864</u>	<u>\$ 10,017</u>	<u>\$ 38,364</u>	<u>\$ 28,347</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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 5,000	\$ 5,100	\$ 5,087	\$ (13)
Franchise	8,000	7,900	8,360	460
Other	2,000	2,500	2,532	32
Total taxes	<u>15,000</u>	<u>15,500</u>	<u>15,979</u>	<u>479</u>
Licenses and permits	<u>16,502</u>	<u>12,502</u>	<u>17,529</u>	<u>5,027</u>
Intergovernmental:				
Federal grants	-	3,500	4,375	875
Local grants	-	290	290	-
Beer tax	400	400	421	21
Total intergovernmental	<u>400</u>	<u>4,190</u>	<u>5,086</u>	<u>896</u>
Charges for services:				
Grass cutting	25,100	24,050	24,648	598
Gym membership	2,600	1,500	1,441	(59)
Rental income	13,800	10,000	11,567	1,567
Total charges for services	<u>41,500</u>	<u>35,550</u>	<u>37,656</u>	<u>2,106</u>
Fines and forfeits	<u>1,500</u>	<u>2,000</u>	<u>2,880</u>	<u>880</u>
Interest	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Miscellaneous:				
Racino revenue	25,000	24,000	23,980	(20)
Other	2,000	1,350	730	(620)
Total miscellaneous	<u>27,000</u>	<u>25,350</u>	<u>24,710</u>	<u>(640)</u>
Total revenues	<u>\$ 101,902</u>	<u>\$ 95,092</u>	<u>\$ 103,846</u>	<u>\$ 8,754</u>

VILLAGE OF PALMETTO, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended July 31, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Current:				
General government -				
Mayor's salary	\$ 350	\$ 350	\$ 1,260	\$ (910)
Clerk's salary	23,400	3,500	3,308	192
Payroll taxes	1,790	300	325	(25)
Bank service charges	120	125	287	(162)
Advertising	800	800	402	398
Travel and meetings	200	600	573	27
Tax roll preparation	1,600	1,500	1,555	(55)
Insurance	3,500	4,000	3,887	113
Town hall expense	2,500	2,250	1,694	556
Municipal dues	655	655	693	(38)
Professional fees	8,350	9,750	10,492	(742)
Office supplies	3,250	3,750	2,902	848
Fitness center	100	100	-	100
Computer repair and maintenance	3,000	3,000	2,518	482
Repairs and maintenance	3,000	5,200	4,653	547
Fundraiser costs	-	-	8	(8)
Miscellaneous	2,432	2,632	1,299	1,333
Total general government	<u>55,047</u>	<u>38,512</u>	<u>35,856</u>	<u>2,656</u>
Public safety -				
Police:				
Salaries	41,113	13,000	10,568	2,432
Payroll taxes	3,145	1,000	935	65
Insurance	5,000	800	732	68
Uniforms	200	550	521	29
Supplies and auto	6,400	4,940	2,478	2,462
Travel and meetings	300	-	-	-
Miscellaneous	250	-	-	-
Total public safety	<u>56,408</u>	<u>20,290</u>	<u>15,234</u>	<u>5,056</u>
Highways and streets -				
Salaries - street	21,632	-	-	-
Payroll taxes - street	1,655	-	-	-
Street supplies	1,200	1,600	1,615	(15)
Insurance	4,000	3,000	2,840	160
Auto and tractor	3,700	9,500	7,360	2,140
Fuel	3,200	4,200	3,555	645
Total highways and streets	<u>35,387</u>	<u>18,300</u>	<u>15,370</u>	<u>2,930</u>
Debt service:				
Retirement of principal	7,389	7,400	7,709	(309)
Interest and fiscal charges	1,168	1,156	847	309
Total debt service	<u>8,557</u>	<u>8,556</u>	<u>8,556</u>	<u>-</u>
Capital outlay	3,000	14,000	8,459	5,541
Total expenditures	<u>\$ 158,399</u>	<u>\$ 99,658</u>	<u>\$ 83,475</u>	<u>\$ 16,183</u>

VILLAGE OF PALMETTO, LOUISIANA

Comparative Balance Sheets
Water Utility Fund
July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 100,638	\$ 62,704
Receivables -		
Accounts, net	37,492	35,028
Due from other funds	<u>2,694</u>	<u>1,995</u>
Total current assets	<u>196,439</u>	<u>99,727</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	67,274	64,914
Investments	65,467	110,664
Capital assets, net	<u>1,764,152</u>	<u>1,718,879</u>
Total noncurrent assets	<u>1,896,893</u>	<u>1,894,457</u>
Total assets	<u>\$2,093,332</u>	<u>\$1,994,184</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable and other payables	\$ 134,168	\$ 9,791
Due to other funds	5,267	4,543
Capital lease payable	<u>2,858</u>	<u>2,722</u>
Total	<u>142,293</u>	<u>17,056</u>
Current liabilities (payable from restricted assets):		
Customer deposits	32,498	30,138
Revenue bonds payable	18,737	17,298
Accrued interest payable	<u>3,850</u>	<u>4,196</u>
Total	<u>55,085</u>	<u>51,632</u>
Total current liabilities	<u>197,378</u>	<u>68,688</u>
Noncurrent liabilities:		
Revenue bonds payable	381,627	400,364
Capital lease payable	<u>5,925</u>	<u>8,771</u>
Total noncurrent liabilities	<u>387,552</u>	<u>409,135</u>
Total liabilities	<u>584,930</u>	<u>477,823</u>
Net position:		
Net investment in capital assets	1,373,742	1,285,528
Restricted for debt service	77,656	123,946
Unrestricted	<u>57,004</u>	<u>106,887</u>
Total net position	<u>1,508,402</u>	<u>1,516,361</u>
Total liabilities and net position	<u>\$2,093,332</u>	<u>\$1,994,184</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 256,907	\$ 274,346
Miscellaneous	<u>12,336</u>	<u>10,721</u>
Total operating revenues	<u>269,243</u>	<u>285,067</u>
Operating expenses:		
Personnel costs	90,210	92,199
Operations and maintenance	50,729	33,236
Truck expenses	3,914	5,152
Travel	520	624
Office supplies and expenses	7,465	6,444
Computer	536	1,270
Telephone and utilities	18,473	20,215
Insurance	24,604	32,073
Professional fees	6,142	6,100
Depreciation	75,436	72,816
Bad debts	4,931	788
Other	<u>6,569</u>	<u>5,415</u>
Total operating expenses	<u>289,529</u>	<u>276,332</u>
Operating income (loss)	<u>(20,286)</u>	<u>8,735</u>
Nonoperating revenues (expenses):		
Interest income	3,025	1,569
Interest expense	<u>(18,941)</u>	<u>(19,278)</u>
Total nonoperating revenues (expenses)	<u>(15,916)</u>	<u>(17,709)</u>
Loss before contributions and transfers	(36,202)	(8,974)
Capital contributions	<u>65,875</u>	<u>1,540</u>
Income (loss) before transfers	29,673	(7,434)
Transfers in (out)	<u>(37,632)</u>	<u>(21,455)</u>
Change in net position	(7,959)	(28,889)
Net position, beginning	<u>1,516,361</u>	<u>1,545,250</u>
Net position, ending	<u>\$1,508,402</u>	<u>\$1,516,361</u>

VILLAGE OF PALMETTO, LOUISIANA
Enterprise Fund
Water Utility Fund

Schedule of Number of Utility Customers and Water Rates
(Unaudited)
July 31, 2019

Records maintained by the Village of Palmetto, Louisiana indicated the following number of customers were being serviced during the month of July 2019:

	<u>Water</u>
Residential	683
Commercial	<u>41</u>
Total	<u><u>724</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, 2019

The aging of accounts receivable is as follows:

	<u>Water</u>
Current	\$25,586
31 - 60 days	4,584
Over 60 days	<u>10,985</u>
Total	<u>\$41,155</u>

VILLAGE OF PALMETTO, LOUISIANA
Enterprise Fund
Water Utility Fund

Schedule of Insurance in Force
(Unaudited)
July 31, 2019

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	01/01/20
Employer's liability - Disease	\$1,000,000	Bodily injury by disease policy limit	01/01/20
Employer's liability - Disease	\$1,000,000	Bodily injury by disease each employee	01/01/20
Surety Bonds:			
Mayor	\$ 50,000	Each occurrence	04/22/20
Mayor Pro Tem	\$ 50,000	Each occurrence	04/22/20
Municipal Clerk	\$ 50,000	Each occurrence	04/22/20
Assistant Municipal Clerk	\$ 50,000	Each occurrence	04/22/20
Assistant Clerk	\$ 50,000	Each occurrence	04/22/20
Water & Gas Superintendent	\$ 50,000	Each occurrence	04/22/20
Errors and Omissions:	\$ 500,000		05/01/20
Automobile Liability:			
Bodily Injury and Property Damage	\$ 500,000	Owned Automobiles Hired and Non-Owned Automobiles	05/01/20
Physical Property Damage	\$ 15,000	2006 C7500 Dump Truck	03/08/20
Commercial General liability:			
Bodily Injury and Property Damage			
Premises Operations	\$ 500,000	Per occurrence	05/01/20
Products Completed Operations	\$ 500,000	Aggregate	05/01/20
	\$ 1,000	Medical payments per person	05/01/20
	\$ 10,000	Medical payments per accident	05/01/20
	\$ 50,000	Fire Legal Liability per occurrence	05/01/20
Law Enforcement Officer:			
Personal Injury and Property Damage	\$ 500,000		05/01/20
Commercial:			
Elevated Water Tank	\$ 450,000	Per Occurrence/Per Location/Per Building	06/15/20
Town Hall/Fire Department/Jail	\$ 682,000	Per Occurrence/Per Location/Per Building	06/15/20
Town Hall/Fire Department/Jail - Personal Property	\$ 100,000	Per Occurrence/Per Location/Per Building	06/15/20
Post Office Building	\$ 360,000	Per Occurrence/Per Location/Per Building	06/15/20
Medical Office Building	\$ 450,000	Per Occurrence/Per Location/Per Building	06/15/20
Medical Office Building - Personal Property	\$ 50,000	Per Occurrence/Per Location/Per Building	06/15/20

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

KOLDER, SLAVEN & COMPANY, LLC

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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 Marx Budden, 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, 2019, 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 January 17, 2020.

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 2019-001, 2019-002, and 2019-003 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 2019-004.

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
January 17, 2020

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended July 31, 2019

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

A. Internal Control over Financial Reporting –

2019-001 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.

2019-002 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)
Year Ended July 31, 2019 July 31, 2019

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.

2019-003 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. Employee timecards are not approved by a supervisor, and the number of hours entered into the payroll processing software does not agree to actual time worked due to errors made when converting minutes to a percentage of an hour.

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)
Year Ended July 31, 2019 July 31, 2019

RECOMMENDATION: It is recommended that the Village establish policies and procedures to ensure that personnel 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.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village will establish policies and procedures to ensure that personnel files are complete and contain all required documentation. Procedures will also be implemented to ensure that timecards are properly approved, and employees are paid for actual time worked.

B. Compliance –

2019-004 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)
Year Ended July 31, 2019 July 31, 2019

Part II. Prior Year Findings:

A. Internal Control over Financial Reporting

2018-001 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 2019-001.

2018-002 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 2019-002.

2018-003 Personnel Files

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

RECOMMENDATION: It is recommended that the Village establish policies and procedures to ensure that personnel 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: Unresolved. See item 2019-003.

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended July 31, 2019 July 31, 2019

B. Compliance –

2018-004 Budget – Public Participation

CONDITION: The Village did not publish notice of a public hearing for the proposed fiscal year 2018 operating budget or the fiscal year 2018 amended budget in violation of LSA-RS 39:1305(B) & (D).

RECOMMENDATION: It is recommended that the Village fully comply with the provisions of LSA-RS 39:1305(B) & (D) when adopting and amending budgets.

CURRENT STATUS: Resolved.

KOLDER, SLAVEN & COMPANY, LLC

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MANAGEMENT LETTER

The Honorable Marx Budden, 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, 2019, 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 \$65,343 and \$20,286, 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
January 17, 2020

VILLAGE OF PALMETTO

Statewide Agreed-Upon Procedures Report

Year Ended July 31, 2019

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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To the Honorable Marx Budden, Mayor
Members of the Board of Aldermen,
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Village of Palmetto (Village) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period August 1, 2018 through July 31, 2019. The Village's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Written policies and procedures were obtained; however, they do not address the following: monitoring the budget.

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

Written policies and procedures were obtained; however, they do not address the following: how purchases are initiated, how vendors are added to the vendor list, controls to ensure compliance with public bid law, and documentation required to be maintained for all bids and price quotes.

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

Written policies and procedures were obtained; however, they do not address the following: processing disbursements.

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained; however, they do not address the following: payroll processing, and reviewing and approving time and attendance records, including overtime worked.

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

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

Board or Finance Committee

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

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Upon review of the minutes of the managing board, it was noted that none of the minutes included monthly budget-to-actual comparisons on the general fund.

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

Obtained the prior year audit report and observed the general fund had a positive ending unassigned fund balance.

Bank Reconciliations

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

Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete.

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

Obtained bank reconciliations noting that they were prepared within 2 months of the related statement closing date.

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

Obtained bank reconciliations noting that they do not include evidence of review by a member of management/board member who does not handle cash, post ledgers, or issue checks.

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

Four of five bank reconciliations do not have documentation reflecting that management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Collections (excluding EFTs)

(The following procedures are not applicable, because there were no exceptions noted in year 2.)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete.
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
At least two employees are not involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
The employee responsible for processing payments is not prohibited from adding/modifying vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
The employee responsible for signing checks also mails the payment.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
Disbursements matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
Three of five items tested did not include evidence of segregation of duties tested.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
Obtained a listing of all active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period, including the cards numbers and the names of the persons who maintain possession of the cards, and management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Monthly statements were obtained and do not address the functions noted above.

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

No finance charges or late fees were noted.

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

No exceptions noted.

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

(The following procedures are not applicable, because there were no exceptions noted in year 1.)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

(The following procedures are not applicable, because there were no exceptions noted in year 1.)

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Personnel files do not have any documentation of authorized salaries/pay rates.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

All selected employees documented their daily attendance. No leave was taken during the pay period selected.

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

Supervisors did not approve the attendance of the selected employees. No leave was taken during the pay period selected.

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

No leave was accrued or taken during the pay period selected.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials,

obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Obtained management's representation that there were no employees/officials that received termination payments during the fiscal period.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Obtained management's representation that all employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

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

No such documentation was available regarding employees/officials attesting through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

(The following procedures are not applicable, because there were no exceptions noted in year 1.)

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Other

(The following procedures are not applicable, because there were no exceptions noted in year 2.)

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Management's Response:

Management of the Village of Palmetto concurs with the exceptions and are working to address the deficiencies identified.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Ville Platte, Louisiana
January 17, 2020