

**VILLAGE OF PALMETTO, LOUISIANA**

Financial Report

Year Ended July 31, 2017

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# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA

183 S. Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Phone (225) 293-8300

1428 Metro Dr.  
Alexandria, LA 71301  
Phone (318) 442-4421

450 E. Main St.  
New Iberia, LA 70560  
Phone (337) 367-9204

200 S. Main St.  
Abbeville, LA 70510  
Phone (337) 893-7944

1234 David Dr. Ste. 203  
Morgan City, LA 70380  
Phone (985) 384-2020

434 E. Main St.  
Ville Platte, LA 70586  
Phone (337) 363-2792

332 W. Sixth Ave.  
Oberlin, LA 70655  
Phone (337) 639-4737

\* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

## 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, 2017, 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, 2017, 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 mission 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 on the comparative statements has been derived from the Village of Palmetto, Louisiana's 2016 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 24, 2018, 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 24, 2018

## **BASIC FINANCIAL STATEMENTS**

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

VILLAGE OF PALMETTO, LOUISIANA

Statement of Net Position

July 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 22,301	\$ 110,744	\$ 133,045
Investments	96	99,910	100,006
Receivables	774	35,845	36,619
Due from other governmental agencies	9,328	-	9,328
Restricted assets:			
Cash and interest-bearing deposits	-	105,046	105,046
Investments	-	96,838	96,838
Capital assets:			
Land	5,250	32,069	37,319
Construction in progress	17,773	-	17,773
Capital assets, net	<u>639,334</u>	<u>1,907,314</u>	<u>2,546,648</u>
Total assets	<u>694,856</u>	<u>2,387,766</u>	<u>3,082,622</u>
LIABILITIES			
Accounts and other payables	12,095	10,964	23,059
Interest payable	-	4,535	4,535
Internal balances	24,724	(24,724)	-
Long-term liabilities:			
Customer deposits	-	53,834	53,834
Bonds, notes, and leases due within one year	7,389	16,881	24,270
Bonds, notes, and leases due after one year	<u>23,432</u>	<u>417,663</u>	<u>441,095</u>
Total liabilities	<u>67,640</u>	<u>479,153</u>	<u>546,793</u>
NET POSITION			
Net investment in capital assets	631,536	1,500,304	2,131,840
Restricted for debt service	-	126,634	126,634
Unrestricted	<u>(4,320)</u>	<u>281,675</u>	<u>277,355</u>
Total net position	<u>\$ 627,216</u>	<u>\$ 1,908,613</u>	<u>\$ 2,535,829</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, 2017

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	\$ 57,338	\$ 4,176	\$ -	\$ -	\$ (53,162)	\$ -	\$ (53,162)
Public safety	80,179	2,319	-	17,773	(60,087)	-	(60,087)
Highways and streets	54,768	24,385	-	-	(30,383)	-	(30,383)
Interest on long-term debt	578	-	-	-	(578)	-	(578)
Total governmental activities	<u>192,863</u>	<u>30,880</u>	<u>-</u>	<u>17,773</u>	<u>(144,210)</u>	<u>-</u>	<u>(144,210)</u>
Business-type activities:							
Gas	243,149	191,793	-	-	-	(51,356)	(51,356)
Water	275,334	250,560	-	9,100	-	(15,674)	(15,674)
Total business-type activities	<u>518,483</u>	<u>442,353</u>	<u>-</u>	<u>9,100</u>	<u>-</u>	<u>(67,030)</u>	<u>(67,030)</u>
Total	<u>\$ 711,346</u>	<u>\$ 473,233</u>	<u>\$ -</u>	<u>\$ 26,873</u>	<u>\$ (144,210)</u>	<u>\$ (67,030)</u>	<u>\$ (211,240)</u>
General revenues:							
Taxes					14,933	-	14,933
Licenses and permits					15,807	-	15,807
Grants and contributions not restricted to specific programs					25,677	-	25,677
Interest and investment earnings					-	2,028	2,028
Miscellaneous					1,305	-	1,305
Special item - Gain on sale of capital assets					1,747	506	2,253
Transfers					38,616	(38,616)	-
Total general revenues and transfers					<u>98,085</u>	<u>(36,082)</u>	<u>62,003</u>
Change in net position					(46,125)	(103,112)	(149,237)
Net position - August 1, 2016					<u>673,341</u>	<u>2,011,725</u>	<u>2,685,066</u>
Net position - July 31, 2017					<u>\$ 627,216</u>	<u>\$ 1,908,613</u>	<u>\$2,535,829</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 sewer 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, 2017

ASSETS

Cash and interest-bearing deposits	\$ 22,301
Investments	96
Due from other governmental agencies	9,328
Other receivables	<u>774</u>
Total assets	<u>\$ 32,499</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 9,531
Accrued liabilities	2,564
Due to other funds	<u>24,724</u>
Total liabilities	36,819
Fund balance:	
Unassigned (deficit)	<u>(4,320)</u>
Total liabilities and fund balance	<u>\$ 32,499</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, 2017

Total fund balance for the governmental fund at July 31, 2017		\$ (4,320)
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	
Construction in progress	17,773	
Land improvements, net of \$145,062 accumulated depreciation	80,298	
Buildings and improvements, net of \$262,560 accumulated depreciation	149,793	
Equipment, net of \$143,440 accumulated depreciation	157,963	
Infrastructure, net of \$173,359 accumulated depreciation	<u>251,280</u>	662,357
Long-term liabilities at July 31, 2017:		
Capital lease payable		<u>(30,821)</u>
Total net position of governmental activities at July 31, 2017		<u>\$ 627,216</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, 2017

Revenues:	
Taxes	\$ 14,933
Licenses and permits	15,807
Intergovernmental	18,259
Charges for services	28,561
Fines and forfeits	2,319
Miscellaneous	<u>29,422</u>
Total revenues	<u>109,301</u>
Expenditures:	
Current -	
General government	33,283
Public safety	76,864
Highways and streets	15,358
Debt service	7,660
Capital outlay	<u>20,165</u>
Total expenditures	<u>153,330</u>
Deficiency of revenues over expenditures	(44,029)
Other financing sources:	
Transfers in	<u>38,616</u>
Net change in fund balance	(5,413)
Fund balance, beginning	<u>1,093</u>
Fund balance (deficit), ending	<u>\$ (4,320)</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, 2017

Total net change in fund balance for the year ended July 31, 2017 per the statement of revenues, expenditures and changes in fund balance		\$ (5,413)
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	\$ 20,165	
Depreciation expense for the year ended July 31, 2017	<u>(66,780)</u>	(46,615)
Net proceeds from sale of assets		(1,179)
Principal retirement considered as an expenditure on the statement of revenues, expenditures and changes in fund balance		<u>7,082</u>
Total change in net position for the year ended July 31, 2017 per the statement of activities		<u>\$ (46,125)</u>

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

VILLAGE OF PALMETTO, LOUISIANA

Statement of Net Position  
Proprietary Funds  
Business-Type Activities - Enterprise Funds  
July 31, 2017

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 85,132	\$ 25,612	\$ 110,744
Investments	99,910	-	99,910
Receivables -			
Accounts, net	8,296	27,549	35,845
Due from other funds	<u>12,916</u>	<u>14,371</u>	<u>27,287</u>
Total current assets	<u>206,254</u>	<u>67,532</u>	<u>273,786</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing deposits	22,656	82,390	105,046
Investments	4,500	92,338	96,838
Land	29,238	2,831	32,069
Capital assets, net of accumulated depreciation	<u>135,118</u>	<u>1,772,196</u>	<u>1,907,314</u>
Total noncurrent assets	<u>191,512</u>	<u>1,949,755</u>	<u>2,141,267</u>
Total assets	<u>\$ 397,766</u>	<u>\$2,017,287</u>	<u>\$2,415,053</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other payables	\$ 4,684	\$ 6,280	\$ 10,964
Due to other funds	2,563	-	2,563
Revenue bonds payable	-	16,881	16,881
Accrued interest payable	<u>-</u>	<u>4,535</u>	<u>4,535</u>
Total current liabilities	<u>7,247</u>	<u>27,696</u>	<u>34,943</u>
Noncurrent liabilities:			
Customer deposits	27,156	26,678	53,834
Revenue bonds payable	<u>-</u>	<u>417,663</u>	<u>417,663</u>
Total noncurrent liabilities	<u>27,156</u>	<u>444,341</u>	<u>471,497</u>
Total liabilities	<u>34,403</u>	<u>472,037</u>	<u>506,440</u>
NET POSITION			
Net investment in capital assets	164,356	1,335,948	1,500,304
Restricted for debt service	-	126,634	126,634
Unrestricted	<u>199,007</u>	<u>82,668</u>	<u>281,675</u>
Total net position	<u>363,363</u>	<u>1,545,250</u>	<u>1,908,613</u>
Total liabilities and net position	<u>\$ 397,766</u>	<u>\$2,017,287</u>	<u>\$2,415,053</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, 2017

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 174,745	\$ 238,457	\$ 413,202
Miscellaneous	<u>6,248</u>	<u>12,103</u>	<u>18,351</u>
Total operating revenues	<u>180,993</u>	<u>250,560</u>	<u>431,553</u>
Operating expenses:			
Gas purchases	35,550	-	35,550
Personnel costs	105,543	92,158	197,701
Operating and maintenance	19,345	30,996	50,341
Truck expenses	3,288	3,470	6,758
Travel	-	520	520
Office supplies and expenses	3,512	7,419	10,931
Computer	424	1,076	1,500
Telephone and utilities	23,998	18,648	42,646
Insurance	19,808	16,420	36,228
Professional fees	4,290	4,200	8,490
Depreciation	22,754	74,294	97,048
Other	<u>3,636</u>	<u>5,620</u>	<u>9,256</u>
Total operating expenses	<u>243,149</u>	<u>255,336</u>	<u>498,485</u>
Operating loss	<u>(62,156)</u>	<u>(4,776)</u>	<u>(66,932)</u>
Nonoperating revenues (expenses):			
Interest income	1,252	776	2,028
Rental income	10,800	-	10,800
Interest expense	-	(19,998)	(19,998)
Gain on disposal of assets	<u>506</u>	<u>-</u>	<u>506</u>
Total nonoperating revenues (expenses)	<u>12,558</u>	<u>(19,222)</u>	<u>(6,664)</u>
Loss before contributions and transfers	(49,598)	(23,998)	(73,596)
Capital contributions	<u>-</u>	<u>9,100</u>	<u>9,100</u>
Loss before transfers	(49,598)	(14,898)	(64,496)
Transfers in (out):			
Transfers in	-	15,000	15,000
Transfers out	<u>(40,808)</u>	<u>(12,808)</u>	<u>(53,616)</u>
Total transfers in (out)	<u>(40,808)</u>	<u>2,192</u>	<u>(38,616)</u>
Change in net position	(90,406)	(12,706)	(103,112)
Net position, beginning	<u>453,769</u>	<u>1,557,956</u>	<u>2,011,725</u>
Net position, ending	<u>\$ 363,363</u>	<u>\$ 1,545,250</u>	<u>\$ 1,908,613</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, 2017

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 179,452	\$ 235,016	\$ 414,468
Payments to suppliers	(114,829)	(88,584)	(203,413)
Payments to employees	(105,543)	(92,158)	(197,701)
Other receipts	<u>6,248</u>	<u>12,103</u>	<u>18,351</u>
Net cash provided (used) by operating activities	<u>(34,672)</u>	<u>66,377</u>	<u>31,705</u>
Cash flows from noncapital financing activities:			
Net transfers to other funds	<u>(39,845)</u>	<u>(6,794)</u>	<u>(46,639)</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds payable	-	(15,480)	(15,480)
Interest and fiscal charges paid on bonds	-	(20,304)	(20,304)
Net increase (decrease) in customer deposits	(956)	90	(866)
Net acquisition and construction of capital assets	505	(13,124)	(12,619)
Proceeds from grants	-	9,100	9,100
Rental income	<u>10,800</u>	<u>-</u>	<u>10,800</u>
Net cash provided (used) by capital and related financing activities	<u>10,349</u>	<u>(39,718)</u>	<u>(29,369)</u>
Cash flows from investing activities:			
Net maturities (purchases) of investments	78,748	(18,270)	60,478
Interest earned	<u>1,252</u>	<u>776</u>	<u>2,028</u>
Net cash provided (used) by investing activities	<u>80,000</u>	<u>(17,494)</u>	<u>62,506</u>
Net increase in cash and cash equivalents	15,832	2,371	18,203
Cash and cash equivalents, beginning of period	<u>21,372</u>	<u>36,648</u>	<u>58,020</u>
Cash and cash equivalents, end of period	<u>\$ 37,204</u>	<u>\$ 39,019</u>	<u>\$ 76,223</u>

(continued)

VILLAGE OF PALMETTO, LOUISIANA

Statement of Cash Flows  
Proprietary Funds (Continued)  
Business-Type Activities - Enterprise Funds  
For the Year Ended July 31, 2017

	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (62,156)	\$ (4,776)	\$ (66,932)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	22,754	74,294	97,048
Changes in current assets and liabilities:			
(Increase) decrease in accounts receivable	2,532	(3,956)	(1,424)
Increase in provision for uncollectible accounts	2,175	515	2,690
Increase in accounts and other payables	<u>23</u>	<u>300</u>	<u>323</u>
Net cash provided (used) by operating activities	<u>\$ (34,672)</u>	<u>\$ 66,377</u>	<u>\$ 31,705</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	\$ 68,168	\$ 23,331	\$ 91,499
Cash and interest-bearing deposits - restricted	23,612	82,130	105,742
Less: Interest-bearing deposits with maturity in excess of 90 days	<u>(70,408)</u>	<u>(68,813)</u>	<u>(139,221)</u>
Total cash and cash equivalents	<u>21,372</u>	<u>36,648</u>	<u>58,020</u>
Cash and cash equivalents, end of period -			
Cash and interest-bearing deposits - unrestricted	85,132	25,612	110,744
Cash and interest-bearing deposits - restricted	22,656	82,390	105,046
Less: Interest-bearing deposits with maturity in excess of 90 days	<u>(70,584)</u>	<u>(68,983)</u>	<u>(139,567)</u>
Total cash and cash equivalents	<u>37,204</u>	<u>39,019</u>	<u>76,223</u>
Net increase	<u>\$ 15,832</u>	<u>\$ 2,371</u>	<u>\$ 18,203</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 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 taxes. Business-type activities report customer’s 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 customers’ utility receivables at July 31, 2017 for the Gas and Water Fund was \$20,782 and \$4,565, 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 their estimated fair market 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, 2017.

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, 2017.

#### 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.
- 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 requiring they maintain 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 two classifications of programmatic revenues for the Village, program specific grant and contributions revenue 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. Programs 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 accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

F. Report Reclassifications

Certain previously reported amounts for the year ended July 31, 2016 have been reclassified to conform to the July 31, 2017 classifications.

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, 2017, taxes of 5.85 mills were levied on property with assessed valuations totaling \$870,240 with a total taxes being levied of \$5,091. 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, 2017, the Village had cash and interest-bearing deposits (book balances) totaling \$238,091 as follows:

Demand deposits	\$ 98,524
Certificates of deposit	<u>139,567</u>
Total	<u>\$ 238,091</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 \$247,076 at July 31, 2017 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, 2017, 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)	<u>0.05%</u>	<u>\$ 96</u>	<u>\$ 96</u>	<u>\$ -</u>
Business-Type Activities:				
Louisiana Asset Management Pool (LAMP)	50.76%	99,910	99,910	-
Louisiana Asset Management Pool (LAMP) - Restricted	<u>49.20%</u>	<u>96,838</u>	<u>96,838</u>	<u>-</u>
Total business-type activities	<u>99.95%</u>	<u>196,748</u>	<u>196,748</u>	<u>-</u>
Total investments	<u>100%</u>	<u>\$ 196,844</u>	<u>\$ 196,844</u>	<u>\$ -</u>

**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, 2017, 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, 2017:

	Governmental Activities	Business type Activities	Total
Accounts	\$ -	\$ 56,709	\$ 56,709
Unbilled utility	-	4,483	4,483
Allowance for uncollectible accounts	-	(25,347)	(25,347)
Ad valorem	87	-	87
Franchise tax	687	-	687
Totals	<u>\$ 774</u>	<u>\$ 35,845</u>	<u>\$ 36,619</u>

(6) Due from Other Governmental Agencies

Due from other governmental agencies consisted of the following at July 31, 2017:

	Governmental Activities	Business type Activities	Total
State of Louisiana - LCDBG grant funds	\$ 5,147	\$ -	\$ 5,147
St. Landry Parish - Racino funds	4,181	-	4,181
	<u>\$ 9,328</u>	<u>\$ -</u>	<u>\$ 9,328</u>

(7) Restricted Assets

Restricted assets in the Enterprise Utility Funds consisted of the following at July 31, 2017:

	Gas Utility Fund	Water Utility Fund	Total
Customer deposits	\$ 27,156	\$ 26,678	\$ 53,834
Reveune bond reserve fund	-	49,490	49,490
Depreciation and contingencies fund	-	32,707	32,707
Bond and interest amortization fund	-	65,853	65,853
	<u>\$ 27,156</u>	<u>\$ 174,728</u>	<u>\$ 201,884</u>



VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended July 31, 2017 was as follows:

	Balance 8/1/2016	Additions	Deletions	Balance 7/31/2017
Governmental activities:				
Capital assets not being depreciated:				
Land and construction in progress	\$ 5,250	\$ 17,773	\$ -	\$ 23,023
Capital assets being depreciated:				
Land improvements	225,360	-	-	225,360
Buildings and improvements	412,353	-	-	412,353
Equipment	311,216	1,886	(11,699)	301,403
Infrastructure	424,133	506	-	424,639
Total capital assets being depreciated	1,373,062	2,392	(11,699)	1,363,755
Less accumulated depreciation				
Land improvements	134,527	10,535	-	145,062
Buildings and improvements	252,161	10,399	-	262,560
Equipment	124,719	29,241	(10,520)	143,440
Infrastructure	156,754	16,605	-	173,359
Total accumulated depreciation	668,161	66,780	(10,520)	724,421
Total net capital assets				
being depreciated	704,901	(64,388)	(1,179)	639,334
Governmental activities, net capital assets	\$ 710,151	\$ (64,388)	\$ (1,179)	\$ 662,357

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

	Balance 8/1/2016	Additions	Deletions	Balance 7/31/2017
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 32,069	\$ -	\$ -	\$ 32,069
Capital assets being depreciated:				
Utility plant and equipment	3,737,948	13,125	-	3,751,073
Furniture, fixtures, and equipment	60,228	-	-	60,228
Vehicles	29,648	-	(1,040)	28,608
Buildings	179,689	-	-	179,689
Total capital assets being depreciated	4,007,513	13,125	(1,040)	4,019,598
Less accumulated depreciation				
Utility plant and equipment	1,795,906	85,994	-	1,881,900
Furniture, fixtures, and equipment	57,866	824	-	58,690
Vehicles	23,079	2,408	(1,040)	24,447
Buildings	139,425	7,822	-	147,247
Total accumulated depreciation	2,016,276	97,048	(1,040)	2,112,284
Total net capital assets being depreciated	1,991,237	(83,923)	-	1,907,314
Business-type activities, net capital assets	\$2,023,306	\$ (83,923)	\$ -	\$1,939,383

Depreciation expense was charged to governmental activities as follows:

General government	\$ 24,055
Public safety	3,315
Highways and streets	39,410
Total depreciation expense	\$ 66,780

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

Gas	\$ 22,754
Water	74,294
Total depreciation expense	\$ 97,048

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, 2017:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 9,531	\$ 5,525	\$ 15,056
Salaries payable	1,936	5,439	7,375
Payroll taxes payable	622	-	622
Other payables	<u>6</u>	<u>-</u>	<u>6</u>
Totals	<u>\$ 12,095</u>	<u>\$ 10,964</u>	<u>\$ 23,059</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, 2017:

	Balance 8/1/2016	Additions	Reductions	Balance 7/31/2017	Amount due in one year
Long-term debt:					
Revenue bonds	\$ 450,024	\$ -	\$ (15,480)	\$ 434,544	\$ 16,881
Capital leases	<u>37,903</u>	<u>-</u>	<u>(7,082)</u>	<u>30,821</u>	<u>7,389</u>
	<u>\$ 487,927</u>	<u>\$ -</u>	<u>\$ (22,562)</u>	<u>\$ 465,365</u>	<u>\$ 24,270</u>

Bonds payable at July 31, 2017 are comprised of the following individual issues:

	Issue Date	Maturity Date	Interest Rates	Balance Outstanding	Amount Due In One Year
Business-type activities:					
Waterworks Revenue Bonds -					
	5/4/1982	1/1/2022	5.000%	\$ 44,000	\$ 8,000
	2/10/1993	1/1/2033	5.625%	63,853	2,565
	4/21/2005	4/1/2045	4.250%	<u>326,691</u>	<u>6,316</u>
Total business-type activities debt				<u>\$ 434,544</u>	<u>\$ 16,881</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Capital leases payable at July 31, 2017 consists of the following:

	Original Amount	Maturity Date	Interest Rates	Balance Outstanding
Equipment	<u>\$ 38,615</u>	7/21/2021	4.250%	<u>\$ 30,821</u>

Annual debt service requirements of bonds outstanding are as follows:

Year Ending July 31	Business-type Activities		
	Revenue Bonds		
	Principal	Interest	Total
2018	\$ 16,881	\$ 19,554	\$ 36,435
2019	17,298	18,737	36,035
2020	18,737	17,898	36,635
2021	19,196	16,989	36,185
2022	20,276	16,058	36,334
2023 - 2027	61,442	69,432	130,874
2028 - 2032	77,140	53,733	130,873
2033 - 2037	70,901	35,646	106,547
2038 - 2042	80,449	15,741	96,190
2043 - 2046	<u>52,224</u>	<u>3,130</u>	<u>55,354</u>
	<u>\$ 434,544</u>	<u>\$ 266,918</u>	<u>\$ 701,462</u>

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

Year Ending July 31	Principal	Interest	Total
2018	\$ 7,389	\$ 1,167	\$ 8,556
2019	7,709	847	8,556
2020	8,043	513	8,556
2021	<u>7,680</u>	<u>165</u>	<u>7,845</u>
	<u>\$ 30,821</u>	<u>\$ 2,692</u>	<u>\$ 33,513</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Basic Financial Statements (Continued)

Leased equipment under capital lease is included in capital assets at July 31, 2017 as follows:

Equipment	\$ 76,026
Less: Accumulated depreciation	<u>(16,657)</u>
Net	<u>\$ 59,369</u>

Depreciation on leased equipment under capital lease in the amount of \$7,603 for the year ended July 31, 2017 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, 2017, 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, 2017 is as follows:

Marx Budden, Mayor	\$ 6,242
Aldermen:	
Guyton Budden	2,296
Joseph Irving, Jr.	2,296
Judy Dupre	2,296
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, 2017 follows:

Purpose	Amount
Salary	\$ 6,242
Reimbursements	496
Total	<u>\$ 6,738</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, 2017 totaled \$2,305. 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) Deficit Fund Balance

The General Fund had a deficit fund balance at July 31, 2017 of \$4,320. This deficit will be eliminated by increasing revenues and/or reducing expenditures as well as transfers from other funds.

(16) Litigation and Claims

There was no pending litigation against the Village at July 31, 2017.

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, 2017 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental fund:		
General Fund	\$ -	\$ 24,724
Proprietary funds:		
Water	14,371	-
Gas	<u>12,916</u>	<u>2,563</u>
Total proprietary funds	<u>27,287</u>	<u>2,563</u>
Total	<u>\$ 27,287</u>	<u>\$ 27,287</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, 2017 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental fund:		
General Fund	\$ 38,616	\$ -
Proprietary funds:		
Water	15,000	12,808
Gas	<u>-</u>	<u>40,808</u>
Total proprietary funds	<u>15,000</u>	<u>53,616</u>
Total	<u>\$ 53,616</u>	<u>\$ 53,616</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, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 15,200	\$ 14,484	\$ 14,933	\$ 449
Licenses and permits	18,006	17,004	15,807	(1,197)
Intergovernmental	500	18,173	18,259	86
Charges for services	29,450	28,420	28,561	141
Fines and forfeits	3,200	2,750	2,319	(431)
Miscellaneous	36,900	38,100	29,422	(8,678)
Total revenues	<u>103,256</u>	<u>118,931</u>	<u>109,301</u>	<u>(9,630)</u>
Expenditures:				
Current -				
General government:	56,400	36,555	33,283	3,272
Public safety	75,950	78,445	76,864	1,581
Highways and streets	49,491	14,650	15,358	(708)
Debt service	10,368	8,575	7,660	915
Capital outlay	-	19,373	20,165	(792)
Total expenditures	<u>192,209</u>	<u>157,598</u>	<u>153,330</u>	<u>4,268</u>
Deficiency of revenues over expenditures	(88,953)	(38,667)	(44,029)	(5,362)
Other financing sources:				
Transfers in	<u>90,000</u>	<u>42,000</u>	<u>38,616</u>	<u>(3,384)</u>
Net change in fund balance	1,047	3,333	(5,413)	(8,746)
Fund balance, beginning	<u>1,093</u>	<u>1,093</u>	<u>1,093</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 2,140</u>	<u>\$ 4,426</u>	<u>\$ (4,320)</u>	<u>\$ (8,746)</u>

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, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 5,200	\$ 4,800	\$ 5,113	\$ 313
Franchise	7,500	7,500	7,636	136
Other	2,500	2,184	2,184	-
Total taxes	<u>15,200</u>	<u>14,484</u>	<u>14,933</u>	<u>449</u>
Licenses and permits	<u>18,006</u>	<u>17,004</u>	<u>15,807</u>	<u>(1,197)</u>
Intergovernmental:				
Federal grants	-	17,773	17,773	-
Beer tax	500	400	486	86
Total intergovernmental	<u>500</u>	<u>18,173</u>	<u>18,259</u>	<u>86</u>
Charges for services:				
Grass cutting	24,100	24,100	24,385	285
Gym membership	5,200	4,300	4,176	(124)
Copier income	150	20	-	(20)
Total charges for services	<u>29,450</u>	<u>28,420</u>	<u>28,561</u>	<u>141</u>
Fines and forfeits	<u>3,200</u>	<u>2,750</u>	<u>2,319</u>	<u>(431)</u>
Miscellaneous:				
Racino revenue	25,000	22,500	25,191	2,691
Other	11,900	15,600	4,231	(11,369)
Total miscellaneous	<u>36,900</u>	<u>38,100</u>	<u>29,422</u>	<u>(8,678)</u>
Total revenues	<u>\$ 103,256</u>	<u>\$ 118,931</u>	<u>\$ 109,301</u>	<u>\$ (9,630)</u>

VILLAGE OF PALMETTO, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures  
For the Year Ended July 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current:				
General government -				
Mayor's salary	\$ 350	\$ 350	\$ 327	\$ 23
Clerk's salary	39,000	2,650	2,610	40
Payroll taxes	3,000	215	216	(1)
Bank service charges	150	120	120	-
Advertising	300	650	831	(181)
Travel and meetings	500	150	71	79
Tax roll preparation	500	450	426	24
Insurance	5,000	5,000	5,607	(607)
Town hall expense	1,000	2,500	2,064	436
Municipal dues	300	900	624	276
Professional fees	2,550	8,500	5,860	2,640
Office supplies	1,050	3,000	2,725	275
Fitness center	100	100	90	10
Computer repair and maintenance	1,500	5,500	5,208	292
Repairs and maintenance	-	4,200	4,854	(654)
Miscellaneous	1,100	2,270	1,650	620
Total general government	<u>56,400</u>	<u>36,555</u>	<u>33,283</u>	<u>3,272</u>
Public safety -				
Police:				
Salaries	57,000	58,500	58,386	114
Payroll taxes	4,550	4,645	4,814	(169)
Insurance	3,500	4,500	4,056	444
Uniforms	200	200	-	200
Supplies and auto	9,600	9,500	8,975	525
Travel and meetings	600	600	493	107
Miscellaneous	500	500	140	360
Total public safety	<u>75,950</u>	<u>78,445</u>	<u>76,864</u>	<u>1,581</u>
Highways and streets -				
Salaries - street	39,936	-	-	-
Payroll taxes - street	3,055	-	-	-
Street supplies	1,000	1,550	3,245	(1,695)
Insurance	1,500	2,200	1,932	268
Auto and tractor	2,000	5,100	4,452	648
Fuel	2,000	2,800	2,979	(179)
Miscellaneous	-	3,000	2,750	250
Total highways and streets	<u>6,500</u>	<u>14,650</u>	<u>15,358</u>	<u>(708)</u>
Debt service:				
Retirement of principal	8,646	7,100	6,545	555
Interest and fiscal charges	1,722	1,475	1,115	360
Total debt service	<u>10,368</u>	<u>8,575</u>	<u>7,660</u>	<u>915</u>
Capital outlay	-	19,373	20,165	(792)
Total expenditures	<u>\$ 149,218</u>	<u>\$ 157,598</u>	<u>\$ 153,330</u>	<u>\$ 4,268</u>

VILLAGE OF PALMETTO, LOUISIANA

Comparative Balance Sheets

Water Utility Fund

July 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 25,612	\$ 23,331
Receivables -		
Accounts, net	27,549	24,108
Due from other funds	<u>14,371</u>	<u>5,385</u>
Total current assets	<u>67,532</u>	<u>52,824</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	82,390	82,130
Investments	92,338	74,238
Capital assets, net of accumulated depreciation	<u>1,775,027</u>	<u>1,836,197</u>
Total noncurrent assets	<u>1,949,755</u>	<u>1,992,565</u>
Total assets	<u>\$2,017,287</u>	<u>\$2,045,389</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and other payables	\$ 6,280	\$ 5,980
Revenue bonds payable	16,881	15,481
Accrued interest payable	<u>4,535</u>	<u>4,841</u>
Total current liabilities	<u>27,696</u>	<u>26,302</u>
Noncurrent liabilities:		
Customer deposits	26,678	26,588
Revenue bonds payable	<u>417,663</u>	<u>434,543</u>
Total noncurrent liabilities	<u>444,341</u>	<u>461,131</u>
Total liabilities	<u>472,037</u>	<u>487,433</u>
Net position:		
Net investment in capital assets	1,335,948	1,381,332
Restricted for debt service	126,634	93,567
Unrestricted	<u>82,668</u>	<u>83,057</u>
Total net position	<u>1,545,250</u>	<u>1,557,956</u>
Total liabilities and net position	<u>\$2,017,287</u>	<u>\$2,045,389</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Charges for services	\$ 238,457	\$ 240,302
Miscellaneous	<u>12,103</u>	<u>10,363</u>
Total operating revenues	<u>250,560</u>	<u>250,665</u>
Operating expenses:		
Personnel costs	92,158	97,656
Operations and maintenance	30,996	41,137
Truck expenses	3,470	4,320
Travel	520	442
Office supplies and expenses	7,419	7,824
Computer	1,076	2,141
Telephone and utilities	18,648	14,627
Insurance	16,420	24,363
Professional fees	4,200	4,000
Depreciation	74,294	74,070
Bad debts	515	-
Other	<u>5,620</u>	<u>9,554</u>
Total operating expenses	<u>255,336</u>	<u>280,134</u>
Operating income (loss)	<u>(4,776)</u>	<u>(29,469)</u>
Nonoperating revenues (expenses):		
Interest income	776	360
Interest expense	<u>(19,998)</u>	<u>(21,004)</u>
Total nonoperating revenues (expenses)	<u>(19,222)</u>	<u>(20,644)</u>
Loss before contributions and transfers	(23,998)	(50,113)
Capital contributions	<u>9,100</u>	<u>-</u>
Change in net position	(12,706)	(50,113)
Net position, beginning	<u>1,557,956</u>	<u>1,608,069</u>
Net position, ending	<u>\$1,545,250</u>	<u>\$1,557,956</u>

VILLAGE OF PALMETTO, LOUISIANA  
Enterprise Fund  
Water Utility Fund

Schedule of Number of Utility Customers and Water Rates  
(Unaudited)  
July 31, 2017

Records maintained by the Village of Palmetto, Louisiana indicated the following number of customers were being serviced during the month of July 2017:

	<u>Water</u>
Residential	690
Commercial	<u>37</u>
Total	<u><u>727</u></u>

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

**Water:**

\$17.00 per month for the first 2,000 gallons, then  
\$ 3.50 per 1,000 gallons or part thereof over 1,000 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, 2017

The aging of accounts receivable is as follows:

	<u>Water</u>
Current	\$22,358
31 - 60 days	4,356
Over 60 days	<u>2,586</u>
Total	<u>\$29,300</u>

VILLAGE OF PALMETTO, LOUISIANA  
Enterprise Fund  
Water Utility Fund

Schedule of Insurance in Force  
(Unaudited)  
July 31, 2017

Coverage Provided For	Limits of Coverage (in dollars)	Description of Limits	Expiration Date
Workmen's Compensation:			
Employer's liability - Accident	\$ 100,000	Bodily injury by accident each accident	01/01/18
Employer's liability - Disease	\$ 500,000	Bodily injury by disease policy limit	01/01/18
Employer's liability - Disease	\$ 100,000	Bodily injury by disease each employee	01/01/18
Surety Bonds:			
Mayor	\$ 50,000	Each occurrence	04/22/18
Mayor Pro Tem	\$ 10,000	Each occurrence	04/22/18
Municipal Clerk	\$ 50,000	Each occurrence	04/22/18
Assistant Municipal Clerk	\$ 50,000	Each occurrence	04/22/18
Clerk	\$ 50,000	Each occurrence	04/22/18
Assistant Clerk	\$ 50,000	Each occurrence	04/22/18
Water & Gas Superintendent	\$ 50,000	Each occurrence	04/22/18
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
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
	\$ 500,000	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	06/15/18
Town Hall/Fire Department/Jail	\$ 682,000	Per Occurrence/Per Location/Per Building	06/15/18
Town Hall/Fire Department/Jail - Personal Property	\$ 100,000	Per Occurrence/Per Location/Per Building	06/15/18
Post Office Building	\$ 360,000	Per Occurrence/Per Location/Per Building	06/15/18
Medical Office Building	\$ 450,000	Per Occurrence/Per Location/Per Building	06/15/18
Medical Office Building - Personal Property	\$ 50,000	Per Occurrence/Per Location/Per Building	06/15/18

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

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA

183 S. Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Phone (225) 293-8300

1428 Metro Dr.  
Alexandria, LA 71301  
Phone (318) 442-4421

450 E. Main St.  
New Iberia, LA 70560  
Phone (337) 367-9204

200 S. Main St.  
Abbeville, LA 70510  
Phone (337) 893-7944

1234 David Dr. Ste. 203  
Morgan City, LA 70380  
Phone (985) 384-2020

434 E. Main St.  
Ville Platte, LA 70586  
Phone (337) 363-2792

332 W. Sixth Ave.  
Oberlin, LA 70655  
Phone (337) 639-4737

\* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

## 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, 2017, 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 24, 2018.

### 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 were not 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 summary schedule of current and prior year audit findings and management's corrective action plan as items 2017-001, 2017-002, and 2017-003 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 statements 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 summary schedule of current and prior year audit findings and management's corrective action plan as item 2017-004.

## **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 summary 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 24, 2018

VILLAGE OF PALMETTO, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
For the Year Ended July 31, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (07/31/17) --						
<u>Internal Control:</u>						
2017-001	Unknown	Due to the size of the Village, an adequate segregation of duties does not exist in the administrative offices. A system of internal control procedures is required to ensure that a segregation of duties is in place so that no one individual handles a transaction from its inception to its completion.		No response is considered necessary.	N/A	N/A
2017-002	2017	The Village does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.		The Village has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Krista Mouille, Village Clerk	N/A
2017-003	2017	The Village is not consistently adhering to its cutoff policy. The policy states that a utility customer will be cut off on or after the 20th of each month when a delinquent balance remains. During the year ended July 31, 2017, two public officials and three employees with delinquent balances were not cut off as required.		The Village will establish policies and procedures to ensure that the Village's cutoff policy is consistently adhered to.	Krista Mouille, Village Clerk	07/31/18

(continued)

VILLAGE OF PALMETTO, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
For the Year Ended July 31, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (07/31/17) --						
<u>Compliance:</u>						
2017-004	2017	The Village did not amend the General Fund budget in accordance with LSA-RS 39:1311(A)(1)&(2) that states when total actual revenues and other sources or expenditures and other uses plus projected revenues and other sources or expenditures and other uses for the remainder of the year are failing to meet or exceeding the total budgeted amounts by five percent or more, the budget must be amended. Total revenues failed to meet budgeted revenues in the General Fund by 8.10% or \$9,630.		The Village will adhere to the provisions of LSA-RS 39:1311(A)(1)&(2) by monitoring its financial statements closely and amending the budget when actual revenues fail to meet projected revenues by five percent or more.	Krista Mouille, Village Clerk	07/31/18
<u>Management Letter:</u>						
2017-005	2017	The Village has an increasing gas loss. This loss has been continuously increasing each year. As of July 31, 2017, the gas loss has reached 49.62%. The Village should investigate possible reasons for the significant gas loss and attempt to reduce the loss.		The Village will investigate possible reasons for the increasing gas loss and make efforts to reduce the loss.	Krista Mouille, Village Clerk	07/31/18
2017-006	2017	The General Fund experienced a deficit during the current year of \$5,413 resulting in a fund balance deficit of \$4,320. The Village should evaluate operations to determine methods to increase revenues and/or reduce expenditures in order to operate at a surplus.		The Village will evaluate operations to determine methods to increase revenues and/or reduce expenditures in order to operate at a surplus.	Krista Mouille, Village Clerk	07/31/18
2017-007	2017	The Gas and Water Utility Funds experienced an operating loss of \$62,156 and \$4,776, 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.		The Village will evaluate operations to determine methods to increase revenues and/or reduce expenses in order to operate at a surplus.	Krista Mouille, Village Clerk	07/31/18

(continued)

VILLAGE OF PALMETTO, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
For the Year Ended July 31, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (07/31/16) --						
<u>Internal Control:</u>						
2016-001	Unknown	Due to the size of the Village, an adequate segregation of duties does not exist in the administrative offices. A system of internal control procedures is required to ensure that a segregation of duties is in place so that no one individual handles a transaction from its inception to its completion.	No	See current year finding 2017-001.		



# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA

183 S. Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Phone (225) 293-8300

1428 Metro Dr.  
Alexandria, LA 71301  
Phone (318) 442-4421

450 E. Main St.  
New Iberia, LA 70560  
Phone (337) 367-9204

200 S. Main St.  
Abbeville, LA 70510  
Phone (337) 893-7944

1234 David Dr. Ste. 203  
Morgan City, LA 70380  
Phone (985) 384-2020

434 E. Main St.  
Ville Platte, LA 70586  
Phone (337) 363-2792

332 W. Sixth Ave.  
Oberlin, LA 70655  
Phone (337) 639-4737

\* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

## 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, 2017, and submit the following recommendations for your consideration:

- (1) The Village has an increasing gas loss. This loss has been continuously increasing each year. As of July 31, 2017, the gas loss has reached 49.62%. The Village should investigate possible reasons for the significant gas loss and attempt to reduce the loss.
- (2) The General Fund experienced a deficit during the current year of \$5,413 resulting in a fund balance deficit of \$4,320. The Village should evaluate operations to determine methods to increase revenues and/or reduce expenditures in order to operate at a surplus.
- (3) The Gas and Water Utility Funds experienced an operating loss of \$62,156 and \$4,776, 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 24, 2018

**VILLAGE OF PALMETTO, LOUISIANA**

Statewide Agreed-Upon Procedures Report

Year Ended July 31, 2017

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Victor R. Slaven, CPA\*  
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Oberlin, LA 70655  
Phone (337) 639-4737

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

\* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

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

We have performed the procedures enumerated below, which were agreed to by the management of the Village of Palmetto, Louisiana (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, 2016 through July 31, 2017. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

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

- 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 and did not address the functions noted above.*

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

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

- d) **Receipts**, including receiving, recording, and preparing deposits

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

- 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 did 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, and (5) monitoring card usage

*Written policies and procedures were obtained and did not 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 did not 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. Note: Ethics requirements are not applicable to nonprofits.

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

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

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

#### **Board (or Finance Committee, if applicable)**

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#### **2. Obtain and review the board/committee minutes for the fiscal period, and:**

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

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

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

*There were no exceptions noted.*

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*There was no formal/written plan to eliminate the deficit spending in the general fund.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.)

*For at least one meeting during the fiscal period, the minutes referenced non-budgetary financial information.*

### **Bank Reconciliations**

---

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*Obtained listing of client bank accounts from management and management's representation that listing is complete.*

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

*Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliations have been prepared for all months on the three (3) accounts tested.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*None of the three (3) bank accounts tested have any evidence that management reviewed the bank reconciliation.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*Obtained bank statements and reconciliations for all months in the fiscal period noting management's documentation of research for items that have been outstanding for more than 6 months on one (1) out of the three (3) accounts tested.*

### **Collections**

---

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*Obtained listing of cash collection locations and management's representation that listing is complete.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*In the location tested, employees responsible for collecting cash are also responsible for depositing cash into the bank, recording related transactions, reconciling bank accounts, and also share the same cash drawer with other employees.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*Written documentation was obtained and did not address the functions noted above.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*In the location tested, collection documentation was obtained and address the functions noted above.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*Collection documentation was obtained and address the functions noted above.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

*Written policies and procedures were obtained, and the individual responsible for the completeness of all collections also collects cash.*

**Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)**

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*Listing of disbursements and management's representation that the listing is complete was obtained.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*Examined supporting documentation for each of the 25 disbursements selected and found that purchases were initiated using a purchase order system.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*Examined supporting documentation for each of the 25 disbursements selected and found appropriate approval of purchase orders was not obtained for 13 of the 25 disbursements selected.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*Examined supporting documentation for each of the 25 disbursements and found payments were processed without proper approval, receiving report and approved invoice for 13 of the 25 disbursements selected.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

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

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

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

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*There were no exceptions noted.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*There were no exceptions noted.*

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

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

*Listing of active credit cards, bank debit cards, fuel cards and name of person who maintain possession of cards and management's representation that the listing is complete was obtained.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

*Listing was obtained and randomly selected 3 cards.*

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

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

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*No finance charges or fees were noted.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*No exceptions noted.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*No exceptions noted.*



- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*The Village did not have a such a policy.*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*No exceptions noted.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions noted.*

### ***Travel and Expense Reimbursement***

---

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.*

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*Policies were obtained. No amounts listed exceed GSA rates.*

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*There were no exceptions noted.*

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*No exceptions noted.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*No exceptions noted.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*No exceptions noted.*

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions noted.*

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

### ***Contracts***

---

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*Listing of all contracts in effect and management's representation that the listing is complete was obtained.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*No exceptions noted.*

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*Not applicable.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*Not applicable.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*Not applicable.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No noncompliance noted.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No noncompliance noted.*

### ***Payroll and Personnel***

---

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*Listing of employees with their related salaries and management's representation that the listing is complete was obtained.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*No exceptions noted.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*No exceptions noted.*

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

*No exceptions noted.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*No written approval on attendance and leave records noted.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*No exceptions noted.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*Not applicable.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*No exceptions noted.*

#### ***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*Of the 5 employees tested, 2 did not have support for completion of ethics training.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Management asserted that they have received no ethics allegations during the fiscal period.*

#### ***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*Not applicable.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*All scheduled debt service payments were made, and debt reserves were maintained as required by debt covenants.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable.*

#### ***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management has asserted that the entity did not have misappropriations of public funds or assets.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*Required notices were posted at the entity's premises but not on the entity's website.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions noted.*

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 results 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 24, 2018