

VILLAGE OF HESSMER, LOUISIANA

Financial Report

Year Ended August 31, 2021

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mark Jeanssone, Mayor
and Members of the Board of Aldermen
Village of Hessmer, Louisiana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hessmer, Louisiana (“the Village”), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Village’s basic financial statements as listed in the table of contents.

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 Hessmer, Louisiana, as of August 31, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 36 through 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hessmer, Louisiana's basic financial statements. The accompanying judicial system funding schedule – collecting/disbursing entity and LCDBG program financial statements on pages 45 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 judicial system funding schedule – collecting/disbursing entity and the LCDBG program financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedules, schedule of utility customers and rates, schedule of insurance in force, comparative departmental analysis of revenues and expenses – utility fund and the utility fund accounts receivable aging on pages 41 through 44 and 48 through 51, respectively, but does not include the basic financial statements and our auditor's report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exist between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022, on our consideration of the Village of Hessmer, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Hessmer, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Hessmer, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
May 26, 2022

BASIC FINANCIAL STATEMENTS

**GOVERNMENT WIDE
FINANCIAL STATEMENTS (GWFS)**

VILLAGE OF HESSMER, LOUISIANA

Statement of Net Position
August 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest bearing deposits	\$ 88,387	\$ 277,808	\$ 366,195
Receivables, net	12,657	52,101	64,758
Internal balances	48,216	(48,216)	-
Due from other governmental agencies	3,238	115,789	119,027
Inventories, at cost	-	21,846	21,846
Restricted assets:			
Cash and interest bearing deposits	-	155,426	155,426
Capital assets:			
Non depreciable capital assets	57,000	241,914	298,914
Depreciable capital assets, net	<u>350,410</u>	<u>1,986,332</u>	<u>2,336,742</u>
Total assets	<u>559,908</u>	<u>2,803,000</u>	<u>3,362,908</u>
LIABILITIES			
Accounts payable	36,078	59,602	95,680
Construction payable	87,093	73,850	160,943
Retainage payable	9,677	16,968	26,645
Accrued interest	-	30,059	30,059
Customers deposits payable	-	93,106	93,106
Long-term liabilities:			
Portion due within one year-			
Bonds payable	-	16,379	16,379
Portion due after one year-			
Bonds payable	<u>-</u>	<u>815,547</u>	<u>815,547</u>
Total liabilities	<u>132,848</u>	<u>1,105,511</u>	<u>1,238,359</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - grant revenues	<u>-</u>	<u>21,247</u>	<u>21,247</u>
NET POSITION			
Net investment in capital assets	407,410	1,400,909	1,808,319
Restricted for:			
Sales tax	8,840	-	8,840
Debt service	-	57,731	57,731
Unrestricted	<u>10,810</u>	<u>217,602</u>	<u>228,412</u>
Total net position	<u>\$ 427,060</u>	<u>\$ 1,676,242</u>	<u>\$ 2,103,302</u>

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Activities
For the Year Ended August 31, 2021

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 291,443	\$ -	\$ -	\$ -	\$ (291,443)	\$ -	\$ (291,443)
Public safety:							
Police	88,109	48,425	6,000	-	(33,684)	-	(33,684)
Fire	11,323	-	-	-	(11,323)	-	(11,323)
Recreation	54,354	-	-	-	(54,354)	-	(54,354)
Public Works	37,626	-	-	-	(37,626)	-	(37,626)
Total governmental activities	<u>482,855</u>	<u>48,425</u>	<u>6,000</u>	<u>-</u>	<u>(428,430)</u>	<u>-</u>	<u>(428,430)</u>
Business-type activities:							
Water	542,824	411,885	-	194,692	-	63,753	63,753
Sewer	<u>147,285</u>	<u>82,895</u>	<u>-</u>	<u>186,314</u>	<u>-</u>	<u>121,924</u>	<u>121,924</u>
Total business-type activities	<u>690,109</u>	<u>494,780</u>	<u>-</u>	<u>381,006</u>	<u>-</u>	<u>185,677</u>	<u>185,677</u>
Total	<u>\$ 1,172,964</u>	<u>\$ 543,205</u>	<u>\$ 6,000</u>	<u>\$ 381,006</u>	<u>(428,430)</u>	<u>185,677</u>	<u>(242,753)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes				25,174	-	25,174	25,174
Sales and use taxes, levied for specific purposes				138,665	-	138,665	138,665
Franchise taxes				28,570	-	28,570	28,570
Intergovernmental				25,854	-	25,854	25,854
Licenses and permits				42,249	-	42,249	42,249
Interest and investment earnings				-	418	418	418
Miscellaneous				31,319	-	31,319	31,319
Transfers				6,602	(6,602)	-	-
Total general revenues and transfers				<u>298,433</u>	<u>(6,184)</u>	<u>292,249</u>	<u>292,249</u>
Change in net position				(129,997)	179,493	49,496	49,496
Net position - beginning				<u>557,057</u>	<u>1,496,749</u>	<u>2,053,806</u>	<u>2,053,806</u>
Net position - ending				<u>\$ 427,060</u>	<u>\$ 1,676,242</u>	<u>\$ 2,103,302</u>	<u>\$ 2,103,302</u>

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

FUND FINANCIAL STATEMENTS (FFS)

VILLAGE OF HESSMER, LOUISIANA

Balance Sheet
Governmental Funds
August 31, 2021

ASSETS	<u>General</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash and interest bearing deposits	\$ 18,980	\$ 69,407	\$ 88,387
Receivables:			
Taxes	-	12,657	12,657
Due from other governments	3,238	-	3,238
Due from other funds	<u>51</u>	<u>56,929</u>	<u>56,980</u>
Total assets	<u>\$ 22,269</u>	<u>\$ 138,993</u>	<u>\$ 161,262</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,746	\$ 33,332	\$ 36,078
Construction payable	-	87,093	87,093
Retainage payable	-	9,677	9,677
Due to other funds	<u>8,713</u>	<u>51</u>	<u>8,764</u>
Total liabilities	<u>11,459</u>	<u>130,153</u>	<u>141,612</u>
Fund balances:			
Restricted	-	8,840	8,840
Unassigned	<u>10,810</u>	<u>-</u>	<u>10,810</u>
Total fund balances	<u>10,810</u>	<u>8,840</u>	<u>19,650</u>
Total liabilities and fund balances	<u>\$ 22,269</u>	<u>\$ 138,993</u>	<u>\$ 161,262</u>

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

VILLAGE OF HESSMER, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2021

Total fund balances for governmental funds	\$ 19,650
Capital assets, net	<u>407,410</u>
Net position of governmental activities at August 31, 2021	<u>\$427,060</u>

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended August 31, 2021

	General	Sales Tax Fund	Totals
Revenues:			
Taxes	\$ 53,744	\$ 138,665	\$ 192,409
Licenses and permits	42,249	-	42,249
Intergovernmental	31,854	-	31,854
Fines and forfeits	48,425	-	48,425
Miscellaneous	<u>29,478</u>	<u>1,841</u>	<u>31,319</u>
Total revenues	<u>205,750</u>	<u>140,506</u>	<u>346,256</u>
Expenditures:			
Current -			
General government	89,191	199,214	288,405
Public safety:			
Police	86,653	-	86,653
Fire	11,323	-	11,323
Recreation	14,114	16,988	31,102
Public works	21,616	4,100	25,716
Capital outlay	<u>4,500</u>	<u>75,422</u>	<u>79,922</u>
Total expenditures	<u>227,397</u>	<u>295,724</u>	<u>523,121</u>
Deficiency of revenues over expenditures	<u>(21,647)</u>	<u>(155,218)</u>	<u>(176,865)</u>
Other financing sources (uses):			
Transfers in	13,602	55,180	68,782
Transfers out	<u>-</u>	<u>(62,180)</u>	<u>(62,180)</u>
Total other financing sources (uses)	<u>13,602</u>	<u>(7,000)</u>	<u>6,602</u>
Net changes in fund balances	(8,045)	(162,218)	(170,263)
Fund balances, beginning	<u>18,855</u>	<u>171,058</u>	<u>189,913</u>
Fund balances, ending	<u>\$ 10,810</u>	<u>\$ 8,840</u>	<u>\$ 19,650</u>

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

VILLAGE OF HESSMER, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended August 31, 2021

Total net changes in fund balances per statement of revenues, expenditures and changes in fund balances	\$(170,263)
Capital assets:	
Capital outlay	\$ 79,922
Depreciation expense	<u>(39,656)</u> <u>40,266</u>
Change in net position per statement of activities	<u><u>\$(129,997)</u></u>

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Net Position

Proprietary Funds

August 31, 2021

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 193,976	\$ 83,832	\$ 277,808
Accounts receivable	38,467	13,634	52,101
Due from other funds	7,594	9,669	17,263
Due from other governmental agencies	24,971	90,818	115,789
Inventories, at cost	<u>21,846</u>	-	<u>21,846</u>
Total current assets	<u>286,854</u>	<u>197,953</u>	<u>484,807</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest bearing deposits	144,919	10,507	155,426
Capital assets -			
Non depreciable capital assets	-	241,914	241,914
Depreciable capital assets, net	<u>1,815,298</u>	<u>171,034</u>	<u>1,986,332</u>
Total noncurrent assets	<u>1,960,217</u>	<u>423,455</u>	<u>2,383,672</u>
Total assets	<u>\$ 2,247,071</u>	<u>\$ 621,408</u>	<u>\$ 2,868,479</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 59,602	\$ -	\$ 59,602
Construction payable	-	73,850	73,850
Retainage payable	-	16,968	16,968
Due to other funds	65,479	-	65,479
Payable from restricted assets -			
Revenue bonds	16,379	-	16,379
Accrued interest payable	<u>30,059</u>	-	<u>30,059</u>
Total current liabilities	<u>171,519</u>	<u>90,818</u>	<u>262,337</u>
Noncurrent liabilities:			
Customers' deposits	82,599	10,507	93,106
Revenue bonds payable	<u>815,547</u>	-	<u>815,547</u>
Total noncurrent liabilities	<u>898,146</u>	<u>10,507</u>	<u>908,653</u>
Total liabilities	<u>1,069,665</u>	<u>101,325</u>	<u>1,170,990</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - grant revenues	<u>21,247</u>	-	<u>21,247</u>
NET POSITION			
Net investment in capital assets	987,961	412,948	1,400,909
Restricted for debt service	57,731	-	57,731
Unrestricted	<u>110,467</u>	<u>107,135</u>	<u>217,602</u>
Total net position	<u>\$ 1,156,159</u>	<u>\$ 520,083</u>	<u>\$ 1,676,242</u>

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended August 31, 2021

	Water Utility	Sewer Utility	Total
Operating revenues:			
Charges for services	\$ 409,919	\$ 82,176	\$ 492,095
Installation and other charges	<u>1,966</u>	<u>719</u>	<u>2,685</u>
Total operating revenues	<u>411,885</u>	<u>82,895</u>	<u>494,780</u>
Operating expenses:			
Salaries	106,343	9,600	115,943
Payroll taxes	8,136	734	8,870
Depreciation expense	143,655	70,826	214,481
Maintenance and repairs	20,966	18,598	39,564
Supplies	10,281	8	10,289
Legal and professional	45,610	17,536	63,146
Insurance	28,996	2,352	31,348
Fuel and oil	9,703	350	10,053
Chemicals and supplies	99,194	3,426	102,620
Utilities and telephone	16,696	15,869	32,565
Laboratory testing	1,970	7,257	9,227
Other	<u>13,919</u>	<u>729</u>	<u>14,648</u>
Total operating expenses	<u>505,469</u>	<u>147,285</u>	<u>652,754</u>
Operating loss	<u>(93,584)</u>	<u>(64,390)</u>	<u>(157,974)</u>
Nonoperating revenues (expenses):			
Federal and state grants	194,692	186,314	381,006
Interest income	396	22	418
Interest expense	<u>(37,355)</u>	<u>-</u>	<u>(37,355)</u>
Total nonoperating revenues (expenses)	<u>157,733</u>	<u>186,336</u>	<u>344,069</u>
Income before transfers	64,149	121,946	186,095
Other financing sources (uses):			
Transfers in	55,180	-	55,180
Transfers out	<u>(61,782)</u>	<u>-</u>	<u>(61,782)</u>
Total other financing sources (uses)	<u>(6,602)</u>	<u>-</u>	<u>(6,602)</u>
Change in net position	57,547	121,946	179,493
Net position, beginning	<u>1,098,612</u>	<u>398,137</u>	<u>1,496,749</u>
Net position, ending	<u>\$ 1,156,159</u>	<u>\$ 520,083</u>	<u>\$ 1,676,242</u>

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2021

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 425,845	\$ 79,758	\$ 505,603
Payments to suppliers	(256,894)	(30,907)	(287,801)
Payments to employees	<u>(114,479)</u>	<u>(10,334)</u>	<u>(124,813)</u>
Net cash provided by operating activities	<u>54,472</u>	<u>38,517</u>	<u>92,989</u>
Cash flows from noncapital financing activities:			
Cash received from other funds	55,180	-	55,180
Cash paid to other funds	<u>(7,147)</u>	<u>(8,153)</u>	<u>(15,300)</u>
Net cash provided (used) by noncapital financing activities	<u>48,033</u>	<u>(8,153)</u>	<u>39,880</u>
Cash flows from capital and related financing activities:			
Interest and fiscal charges paid on revenue bonds	(37,939)	-	(37,939)
Principal paid on bonds	(15,679)	-	(15,679)
Proceeds from grant	190,968	141,696	332,664
Acquisition of property, plant and equipment	<u>(140,284)</u>	<u>(188,268)</u>	<u>(328,552)</u>
Net cash used by capital and related financing activities	<u>(2,934)</u>	<u>(46,572)</u>	<u>(49,506)</u>
Cash flows from investing activities:			
Interest received on interest-bearing deposits	<u>396</u>	<u>22</u>	<u>418</u>
Net change in cash and cash equivalents	99,967	(16,186)	83,781
Cash and cash equivalents, beginning of period	<u>238,928</u>	<u>110,525</u>	<u>349,453</u>
Cash and cash equivalents, end of period	<u>\$ 338,895</u>	<u>\$ 94,339</u>	<u>\$ 433,234</u>

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2021

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (93,584)	\$ (64,390)	\$ (157,974)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	143,655	70,826	214,481
Changes in current assets and liabilities:			
Accounts receivable	12,394	(3,759)	8,635
Accounts payable	(9,559)	-	(9,559)
Construction payable	-	18,250	18,250
Retainage payable	-	16,968	16,968
Customer deposit payable	1,566	622	2,188
Net cash provided by operating activities	<u>\$ 54,472</u>	<u>\$ 38,517</u>	<u>\$ 92,989</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:			
Cash and cash equivalents, beginning of period -			
Cash and interest bearing deposits - unrestricted	\$ 103,380	\$ 100,640	\$ 204,020
Cash and interest bearing deposits - restricted	<u>135,548</u>	<u>9,885</u>	<u>145,433</u>
Total cash and cash equivalents, beginning of period	<u>238,928</u>	<u>110,525</u>	<u>349,453</u>
Cash and cash equivalents, end of period -			
Cash and interest bearing deposits - unrestricted	193,976	83,832	277,808
Cash and interest bearing deposits - restricted	<u>144,919</u>	<u>10,507</u>	<u>155,426</u>
Total cash and cash equivalents, end of period	<u>338,895</u>	<u>94,339</u>	<u>433,234</u>
Net change in cash and cash equivalents	<u>\$ 99,967</u>	<u>\$ (16,186)</u>	<u>\$ 83,781</u>

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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Village of Hessmer (Village) have been prepared in conformity with generally accepted accounting principles (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 Hessmer, Louisiana was incorporated in 1955 under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

As the municipal governing authority, for reporting purposes, the Village of Hessmer, Louisiana 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, (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, and (d) organizations that are closely related to, or financially integrated with the primary government. The Village has no such component 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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of government grants or other specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects of the Village. The following is the Village's major Special Revenue Fund:

The Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for the repair and maintenance of public streets; the repair, maintenance, and operation of the waterworks and sewerage system; the repair and maintenance of the drainage system; capital improvements; and the support of the general fund.

Proprietary Funds –

Proprietary funds are used to account for ongoing operations and activities that 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 propriety funds maintained by the Village are the enterprise funds.

Enterprise Funds

Enterprise Funds 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 Water System Fund and the Sewer System Fund.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

C. Measurement Focus/Basis of Accounting

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.

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, and sales tax revenue, based upon this concept. Expenditures generally are recognized when the related fund liabilities are incurred and become payable in the current period. Proceeds of debt are reported as other financing sources, and principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded as expenditures when paid.

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

Since the fund level 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 from the government-wide financial statements.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic 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 and interest-bearing deposits

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 deposits 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.

For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report customers' utility service receivables as their major receivables. Uncollectible amounts due from customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. No allowance for uncollectible receivables is recorded due to the immateriality at August 31, 2021. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year-end.

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 actually billed to taxpayers in November. 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 Avoyelles Parish. Village property tax revenues are budgeted in the year billed.

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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

receivables and payables, advances to and from other funds, as well as due to and from other funds are eliminated in the statement of net position.

Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. All inventories are accounted for in the water utility fund as assets when purchased and recorded as expenditures when consumed.

Restricted Assets

Restricted assets include cash and interest-bearing deposits that are legally restricted as to their use. The restricted assets are related to the revenue bond, and utility meter deposits.

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 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 acquisition cost at the date of donation. The Village maintains a threshold level of \$1,000 or more for capitalizing capital assets.

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, 2003, 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:

Buildings and improvements	40 years
Equipment, furniture and fixtures	5 - 25 years
Utility system and improvements	20-50 years

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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial 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 are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable and capital lease 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

After 1 year of full-time employment, employees of the Village of Hessmer earn annual leave at the rate of 5 to 20 days each year, depending upon their length of service. Annual leave is not payable upon termination.

Employees of the Village earn 5 to 25 days of sick leave each year, depending upon their length of service. Unused sick leave may be carried forward from year to year not to exceed 25 days. Unused sick leave is not payable upon termination.

No accruals for accumulated unused compensated absences have been made in these financial statements.

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 financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Equity Classifications

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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, 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 by either (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws 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 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 imposed on the specific purpose 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 constraints requiring they remain intact.
- 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 Aldermen.
- d. Assigned includes fund balance amounts that are constrained by the Village's intent to be used for specific purposes, which are neither restricted nor committed. The assignment of fund balance is authorized by a directive from the Village administrator and approval of a resolution by the Mayor and Board of Alderman.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

- 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, and charges for services.

There are two classifications of programmatic revenues for the Village, grant revenue and program revenue. 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. Program revenues are derived directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole. Program revenues reduce the cost of the function to be financed from the Village's general revenues. The primary sources of program revenue are fees, fines, and charges paid by recipients of goods or services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and earned income in connection with the operation of the Village's utility system.

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

Substantially all other revenues are recorded when received.

Operating Revenues and Expenses

In the proprietary funds, operating revenues are those revenues produced as a result of providing services and producing and delivering goods and/or services. Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets 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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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.

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 sources include:

Revenue Source	Legal Restrictions of Use
Sales tax	See Note 8
Utility Revenue	See Note 7

The Village uses unrestricted resources only when restricted resources are fully depleted.

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, deferred inflows, liabilities and deferred outflows, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses 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.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(2) 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 officers in Louisiana.

These deposits are stated at cost, which approximates market. 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 Village will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a policy for custodial credit risk; however, under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance, or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) and the related federal insurance and pledged securities:

Bank balances	<u>\$ 554,027</u>
Federal deposit insurance	\$ 496,510
Uninsured and collateral held by the pledging banks, not in the Village's name	<u>57,517</u>
Total FDIC insurance and pledged securities	<u>\$ 554,027</u>

(3) Restricted Assets – Business-Type Activities

Restricted assets of business-type activities consisted of the following:

	Water System	Sewer System	Total
Customer Deposit Fund	\$ 82,599	\$ 10,507	\$ 93,106
Sinking Fund	4,589	-	4,589
Revenue Bond Reserve Fund	13,448	-	13,448
Short Lived Asset Fund	10,703	-	10,703
Depreciation and Contingency Fund	33,580	-	33,580
Total restricted assets	<u>\$ 144,919</u>	<u>\$ 10,507</u>	<u>\$ 155,426</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(4) Capital Assets

Capital asset activity was as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,000	\$ -	\$ -	\$ 57,000
Capital assets being depreciated:				
Buildings	252,442	4,500	-	256,942
Equipment, furniture and fixtures	214,838	6,970	-	221,808
Infrastructure	<u>276,377</u>	<u>68,452</u>	<u>-</u>	<u>344,829</u>
Total capital assets	<u>743,657</u>	<u>79,922</u>	<u>-</u>	<u>823,579</u>
Less accumulated depreciation				
Buildings	161,425	4,807	-	166,232
Equipment, furniture and fixtures	162,515	12,857	-	175,372
Infrastructure	<u>109,573</u>	<u>21,992</u>	<u>-</u>	<u>131,565</u>
Total accumulated depreciation	<u>433,513</u>	<u>39,656</u>	<u>-</u>	<u>473,169</u>
Total capital assets being depreciated, net	<u>310,144</u>	<u>40,266</u>	<u>-</u>	<u>350,410</u>
Governmental activities, capital assets, net	<u>\$ 367,144</u>	<u>\$ 40,266</u>	<u>\$ -</u>	<u>\$ 407,410</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 3,038
Police	1,456
Streets and sidewalks	23,252
Recreation	<u>11,910</u>
Total depreciation expense	<u>\$ 39,656</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 55,600	\$ 186,314	\$ -	\$ 241,914
Capital assets being depreciated:				
Water system	4,131,605	196,792	-	4,328,397
Sewer system	1,794,299	1,954	-	1,796,253
Total capital assets being depreciated	<u>5,925,904</u>	<u>198,746</u>	<u>-</u>	<u>6,124,650</u>
Less accumulated depreciation				
Water system	2,369,444	143,655	-	2,513,099
Sewer system	1,554,393	70,826	-	1,625,219
Total accumulated depreciation	<u>3,923,837</u>	<u>214,481</u>	<u>-</u>	<u>4,138,318</u>
Total capital assets being depreciated, net	<u>2,002,067</u>	<u>(15,735)</u>	<u>-</u>	<u>1,986,332</u>
Business-type activities, capital assets, net	<u>\$2,057,667</u>	<u>\$ 170,579</u>	<u>\$ -</u>	<u>\$2,228,246</u>

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

Water	\$ 143,655
Sewer	70,826
Total depreciation expense	<u>\$214,481</u>

(5) Leases

On April 28, 1999, the Village entered into a 60-month lease agreement with AT&T Mobility Corporation for the use of LTE equipment and antennas for a monthly payment of \$810. The lease was renewed at the same monthly payment on January 1, 2006 for one 60-month term with the option to renew for four (4) additional 60-month terms. In October 2014, the monthly lease payments were renegotiated and increased to \$1,620 per month. On August 31, 2021, total future minimum lease payments expected through the expiration date of the lease (December 31, 2021) is \$6,480.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(6) Changes in Long-Term Liabilities

The following is a summary of long-term liability activity of the Village:

Direct Placements:	Balance Beginning	Additions	Reductions	Balance Ending	Amount due in one year
Business-type activities					
Water revenue bonds	<u>\$ 847,605</u>	<u>\$ -</u>	<u>\$ 15,679</u>	<u>\$ 831,926</u>	<u>\$ 16,379</u>

Water Revenue Bonds

The 2008 Water Revenue Series Bonds (Bond), dated October 28, 2008, were issued to fund improvements to the Village's water system. Bond repayments consist of fully amortized monthly installments of \$4,371 which are due through October 28, 2048. The bonds bear annual interest at 4.38% and are secured by water system revenues. The Bond agreement also requires monthly transfers into a sinking fund account, reserve fund account, short lived asset fund account and a contingency fund account as more fully described in Note No. 7. No default provisions are provided for in the bond agreement.

Annual debt service requirements of direct placement debt outstanding were as follows:

Year Ending August 31,	Direct Placement Debt		
	Revenue Bonds		
	Principal	Interest	Total
2022	\$ 16,379	\$ 36,071	\$ 52,450
2023	17,110	35,340	52,450
2024	17,873	34,576	52,449
2025	18,671	33,778	52,449
2026	19,505	32,945	52,450
2027-2031	111,387	150,861	262,248
2032-2036	138,569	123,679	262,248
2037-2041	172,383	89,865	262,248
2042-2046	214,448	47,800	262,248
2047-2049	105,601	5,147	110,748
	<u>\$ 831,926</u>	<u>\$ 590,062</u>	<u>\$ 1,421,988</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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

The revenues of the water system are partially pledged to retire the water revenue bonds dated October 28, 2008.

The bond resolution of the 2008 Issue of Bonds requires the establishment and maintenance of the following bank accounts:

Water Revenue Bond and Interest Sinking Fund
Water Reserve Fund
Water Depreciation and Contingency Fund
Short Lived Asset Fund

The Water Fund is to transfer to the Water Revenue Bond and Interest Sinking Fund a sum of \$4,371 monthly for the period of November 2009 through October 2048. In addition, the Water Fund is to transfer to the Water Reserve Fund on a monthly basis, a sum of \$219 per month for the period of November 2009 through October 2048 until \$52,450 has been accumulated in the Reserve Fund. In addition, the Water Fund is to transfer \$179 per month into the Water Depreciation and Contingency Fund a sum of \$219 per month for the period of November 2009 through October 2048 until \$52,450 has been accumulated into the Contingency Fund. Upon completion and acceptance of the waterworks improvements, the Water Fund is to transfer to the Short-Lived Asset Fund a sum of \$200 per month by the 20th day of each month until a sum of \$49,000 has been accumulated in the Short-Lived Asset Fund.

For the year ended August 31, 2021, the Village failed to make one transfer in accordance with bond requirements.

(8) Sales and Use Tax

The proceeds of 1% sales and use tax levied by the Village of Hessmer, Louisiana are dedicated to the following purposes:

Repair and maintain public streets in the Village (30%), repair, maintain, and operate the Village's waterworks and sewerage system (15%), repair and maintain drainage improvements in the Village (20%), capital improvements for the Village (20%), and for support of the Village's general fund (15%).

(9) Commitments and Contingencies

As required by a legal settlement reached during the year ended August 31, 2011, the Village is to provide free utility services to six rent houses which were the subject of litigation filed against the Village for a period of ten years commencing August 1, 2011, or as long as the rental houses do not change ownership.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(10) Compensation, Benefits and Other Payments to Mayor

A detail of compensation, and benefits paid to Mayor Travis Franks for the period beginning September 01, 2020 through December 31, 2020 is as follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 2,200
Benefits	168
Total	<u>\$ 2,368</u>

A detail of compensation, benefits, and other payments paid to Mayor Mark Jeansonne for the period beginning January 01, 2021 through August 31, 2021 is as follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 4,400
Benefits	363
Travel	179
Total	<u>\$ 4,942</u>

(11) Compensation Paid to Village Officials

A detail of compensation paid to the Board of Aldermen, for the year ended August 31, 2021, is as follows:

		<u>Term</u>	<u>Expiration</u>	
Alderman:				
Keith Armand	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	\$ 200
Justin Gaspard	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	200
Joshua Roy	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	200
Ashton Dauzat	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2024	400
Duston Moreau	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2024	400
Jason Starkey	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2024	<u>400</u> <u>\$ 1,800</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(12) Interfund Transactions

A. The Village of Hessmer had interfund receivables or payables as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General Fund	\$ 51	\$ 8,713
Sales Tax Fund	56,929	51
Enterprise funds:		
Water Utility Fund	7,594	65,479
Sewer Utility Fund	9,669	-
Total	<u>\$ 74,243</u>	<u>\$ 74,243</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. The Village of Hessmer had interfund transfers as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 13,602	\$ -
Sales Tax Fund	55,180	62,180
Enterprise funds:		
Water Utility Fund	<u>55,180</u>	<u>61,782</u>
Total	<u>\$ 123,962</u>	<u>\$ 123,962</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(13) On-Behalf Payment of Salaries

The State of Louisiana paid the Village's policemen \$6,000 of supplemental pay during the year ended August 31, 2021. Such payments are recorded as intergovernmental revenues and public safety expenditures in the government-wide and General Fund financial statements.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(14) Litigation and Claims

On August 31, 2021, the Village was not involved in any lawsuits claiming damages that would not be adequately covered by liability insurance.

(15) Risk Management

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

(16) New Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after June 15, 2021. The effect of implementation on the Village's financial statements has not yet been determined.

(17) Subsequent Event

In November 2021, the Village issued \$796,000 of Water Revenue Refunding Bonds, Series 2021, maturing in November 2047, bearing annual interest at 3.25%. The net proceeds of the Series 2021 bonds were used to retire \$796,000 of 2008 Water Revenue Bonds which were due in fully amortized monthly installments of \$4,371 through October 2048.

**REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2021

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 59,000	\$ 53,776	\$ 53,744	\$ (32)
Licenses and permits	36,500	42,249	42,249	-
Intergovernmental	22,600	24,655	31,854	7,199
Fines and forfeits	14,500	47,000	48,425	1,425
Miscellaneous	19,940	27,870	29,478	1,608
Total revenues	152,540	195,550	205,750	10,200
Expenditures:				
General government	42,500	85,125	89,191	(4,066)
Public safety -				
Police	77,100	80,950	86,653	(5,703)
Fire	15,430	11,530	11,323	207
Recreation	4,500	13,340	14,114	(774)
Streets and sidewalks	20,750	24,110	21,616	2,494
Capital outlay	-	5,785	4,500	1,285
Total expenditures	160,280	220,840	227,397	(6,557)
Deficiency of revenues over expenditures	(7,740)	(25,290)	(21,647)	3,643
Other financing sources:				
Transfers in	10,000	12,000	13,602	1,602
Net change in fund balance	2,260	(13,290)	(8,045)	5,245
Fund balance, beginning	18,855	18,855	18,855	-
Fund balance, ending	\$ 21,115	\$ 5,565	\$ 10,810	\$ 5,245

VILLAGE OF HESSMER, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 115,000	\$ 136,851	\$ 138,665	\$ 1,814
Interest income	500	400	386	(14)
Miscellaneous	-	-	1,455	1,455
Total revenues	<u>115,500</u>	<u>137,251</u>	<u>140,506</u>	<u>3,255</u>
Expenditures:				
General government	87,500	130,625	199,214	(68,589)
Recreation	-	20,950	16,988	3,962
Public works	-	4,100	4,100	-
Capital outlay	100,000	106,775	75,422	31,353
Total expenditures	<u>187,500</u>	<u>262,450</u>	<u>295,724</u>	<u>(33,274)</u>
Deficiency of revenues over expenditures	<u>(72,000)</u>	<u>(125,199)</u>	<u>(155,218)</u>	<u>(30,019)</u>
Other financing uses:				
Transfers in	-	-	55,180	55,180
Transfers out	-	(7,000)	(62,180)	(55,180)
Total other financing uses	<u>-</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>-</u>
Net change in fund balance	<u>(72,000)</u>	<u>(132,199)</u>	<u>(162,218)</u>	<u>(30,019)</u>
Fund balances, beginning	<u>171,058</u>	<u>171,058</u>	<u>171,058</u>	<u>-</u>
Fund balances, ending	<u>\$ 99,058</u>	<u>\$ 38,859</u>	<u>\$ 8,840</u>	<u>\$ (30,019)</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended August 31, 2021

(1) Budget and Budgetary Accounting

The Village follows the following procedures in establishing the budget:

1. The Mayor meets with the Aldermen and Village Clerk to review the prior year revenue and expenditures as a basis for projecting the current fiscal year budget.
2. Anticipated changes from the prior year are considered and reflected in the projections.
3. Once adopted, the budget is made available for public inspection and a budget summary is published in the Village's designated official journal.
4. The Village does not formally integrate its budget as a management tool.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted or as amended by the Mayor and Aldermen. Such amendments were not material in relation to the original appropriations.

(2) Excess of Expenditures over Appropriations

The General Fund and the Sales Tax Fund incurred expenditures in excess of appropriations for the year ended August 31, 2021.

OTHER SUPPLEMENTARY INFORMATION

OTHER INFORMATION

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended August 31, 2021

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes:				
Ad valorem	\$ 26,000	\$ 25,176	\$ 25,174	\$ (2)
Franchise -				
Electric	29,000	24,600	24,743	143
Gas	4,000	4,000	3,827	(173)
Total taxes	<u>59,000</u>	<u>53,776</u>	<u>53,744</u>	<u>(32)</u>
Licenses and permits:				
Occupational licenses	<u>36,500</u>	<u>42,249</u>	<u>42,249</u>	<u>-</u>
Intergovernmental:				
State of Louisiana -				
Department of Revenue and Taxation -				
Beer taxes	3,000	3,000	2,993	(7)
2% Fire insurance rebate	13,000	12,675	12,672	(3)
Department of Transportation -				
Grass cutting	-	2,900	2,900	-
Department of Public Safety -				
Police supplemental pay	5,500	-	6,000	6,000
Tunica Biloxi Tribe of Louisiana				
Casino revenues	-	5,000	6,209	1,209
Avoyelles Parish Police Jury -				
Rural fire	<u>1,100</u>	<u>1,080</u>	<u>1,080</u>	<u>-</u>
Total intergovernmental	<u>22,600</u>	<u>24,655</u>	<u>31,854</u>	<u>7,199</u>
Fines and forfeits:				
Fines and court costs	<u>14,500</u>	<u>47,000</u>	<u>48,425</u>	<u>1,425</u>
Miscellaneous:				
Interest	-	40	37	(3)
Rental	19,440	19,440	19,440	-
Other sources	500	8,390	10,001	1,611
Total miscellaneous	<u>19,940</u>	<u>27,870</u>	<u>29,478</u>	<u>1,608</u>
Total revenues	<u>\$ 152,540</u>	<u>\$ 195,550</u>	<u>\$ 205,750</u>	<u>\$ 10,200</u>

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended August 31, 2021

	Budget			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
General government -					
Administration:					
Salaries	\$ 22,000	\$ 21,400	\$ 21,396	\$ 4	
Per diem - Aldermen	1,800	1,800	1,800	-	
Payroll taxes	1,600	1,775	1,771	4	
Insurance	2,000	20,600	20,838	(238)	
Office supplies and expenses	2,250	11,215	10,957	258	
Dues and subscriptions	2,000	450	459	(9)	
Legal and professional fees	3,000	10,900	10,890	10	
Repairs and maintenance	1,500	4,410	4,890	(480)	
Utilities and telephone	5,000	9,200	9,428	(228)	
Miscellaneous	1,350	3,375	6,762	(3,387)	
Total general government	<u>42,500</u>	<u>85,125</u>	<u>89,191</u>	<u>(4,066)</u>	
Public safety -					
Police:					
Salaries	44,000	50,900	50,916	(16)	
Payroll taxes	3,800	4,250	4,244	6	
Supplemental pay	5,500	-	6,000	(6,000)	
Fuel and oil	4,500	6,975	7,489	(514)	
Repairs and maintenance	4,000	2,475	2,481	(6)	
Insurance	12,500	12,900	12,899	1	
Supplies	1,000	50	50	-	
Utilities and telephone	500	1,700	1,692	8	
Miscellaneous	1,300	1,700	882	818	
Total police	<u>77,100</u>	<u>80,950</u>	<u>86,653</u>	<u>(5,703)</u>	

(continued)

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended August 31, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
Fire -				
Salaries	3,000	3,000	3,000	-
Payroll taxes	230	230	230	-
Insurance	8,700	4,150	4,156	(6)
Utilities and telephone	3,500	4,150	3,937	213
Total fire	<u>15,430</u>	<u>11,530</u>	<u>11,323</u>	<u>207</u>
Recreation -				
Repairs and maintenance	1,000	8,300	8,297	3
Recreation facilities	2,500	2,200	2,126	74
Miscellaneous	1,000	2,840	3,691	(851)
Total recreation	<u>4,500</u>	<u>13,340</u>	<u>14,114</u>	<u>(774)</u>
Public works -				
Repairs and maintenance	-	2,275	2,286	(11)
Fuel and oil	-	60	60	-
Supplies	-	1,000	990	10
Street lights and power	20,000	19,900	18,270	1,630
Miscellaneous	750	875	10	865
Total streets and sidewalks	<u>20,750</u>	<u>24,110</u>	<u>21,616</u>	<u>2,494</u>
Capital outlay -				
Public Safety	-	1,285	-	1,285
Recreation	-	4,500	4,500	-
Total capital outlay	<u>-</u>	<u>5,785</u>	<u>4,500</u>	<u>1,285</u>
Total expenditures	<u>\$ 160,280</u>	<u>\$ 220,840</u>	<u>\$ 227,397</u>	<u>\$ (7,842)</u>

VILLAGE OF HESSMER, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended August 31, 2021

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General government -				
Administration:				
Salaries	\$ 23,000	\$ 32,100	\$ 31,862	\$ 238
Payroll taxes	1,500	2,450	2,456	(6)
Legal and professional fees	22,500	26,400	16,114	10,286
Repairs and maintenance	15,000	46,650	143,404	(96,754)
Miscellaneous	<u>25,500</u>	<u>23,025</u>	<u>5,378</u>	<u>17,647</u>
Total general government	<u>87,500</u>	<u>130,625</u>	<u>199,214</u>	<u>(68,589)</u>
Recreation -				
Repairs and maintenance	-	<u>20,950</u>	<u>16,988</u>	<u>3,962</u>
Public Works -				
Repairs and maintenance	-	<u>4,100</u>	<u>4,100</u>	<u>-</u>
Capital outlay -				
Public works	<u>100,000</u>	<u>106,775</u>	<u>75,422</u>	<u>31,353</u>
Total expenditures	<u>\$ 187,500</u>	<u>\$ 262,450</u>	<u>\$ 295,724</u>	<u>\$ (33,274)</u>

VILLAGE OF HESSMER
Hessmer, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity
As Required by ACT 87 of the 2020 Regular Legislative Session
General Fund
Cash Basis Presentation
Year Ended August 31, 2021

	First Six Month Period Ended <u>2/28/2021</u>	Second Six Month Period <u>Ended 08/31/2021</u>
Beginning balance of amounts collected	<u>\$ -</u>	<u>\$ -</u>
Add: Collections		
Criminal Court Costs/Fees	<u>16,302</u>	<u>32,123</u>
Total collections	<u>16,302</u>	<u>32,123</u>
Less: Disbursements to Governments and Nonprofits		
Louisiana Commission on Law Enforcement -		
Crime Victims Reparation Fund/POST LE Training	31	-
Louisiana Supreme Court -		
Case Management Information System	8	-
Louisiana Dept. of Health -		
Traumatic Head and Spinal Cord Injury Trust Fund	15	-
Central Louisiana Juvenile Detention Center	113	-
North Louisiana Criminalistics Laboratory	40	-
Louisiana Judicial College	5	-
Less: Amounts retained by collecting agency		
Criminal Court Costs/Fees	<u>16,090</u>	<u>32,123</u>
Total disbursements	<u>16,302</u>	<u>32,123</u>
Total ending balance of amounts collected		

VILLAGE OF HESSMER, LOUISIANA

LCDBG Program - Balance Sheet
For the Year Ended August 31, 2021

	2020
	<u>Sewer</u>
	<u>Rehab</u>
ASSETS	
Cash	\$ 184
Grant revenue receivable	<u>90,818</u>
Total assets	<u>\$ 91,002</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Construction payable	\$ 73,850
Retainage payable	16,968
Due to other funds	<u>184</u>
Total liabilities	<u>91,002</u>
Fund balances:	
Restricted - Public works	-
Total liabilities and fund balances	<u>\$ 91,002</u>

VILLAGE OF HESSMER, LOUISIANA

LCDBG - Program Statement of Revenues, Expenditures and Change in Fund Balance
For the Year Ended August 31, 2021

	2020
	<u>Sewer</u>
	<u>Rehab</u>
Revenues:	
LCDBG Program	<u>\$ 186,313</u>
Expenditures:	
Current -	
Engineering Services	16,637
Project Construction	<u>169,676</u>
Total expenditures	<u>186,313</u>
Excess of revenues over expenditures	-
Fund balances, beginning	-
Fund balances, ending	<u>\$ -</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Utility Customers and Rates
For the Years Ended August 31, 2021 and 2020

Records maintained by the Village indicated the following number of customers were being serviced during the month of August, 2021 and 2020:

<u>Department</u>	<u>2021</u>	<u>2020</u>
Water:		
Commercial	67	57
Residential	<u>998</u>	<u>993</u>
Total	<u>1,065</u>	<u>1,050</u>
Sewerage:		
Commercial	38	35
Residential	<u>238</u>	<u>255</u>
Total	<u>276</u>	<u>290</u>

The monthly water rates of the Village are as follows:

Residential:

In town- \$14.00 for the first 2,000 gallons and \$3.20 per 1,000 gallons thereafter

Out of town-\$19.50 for the first 2,000 gallons and \$3.20 per 1,000 gallons thereafter

Commercial:

In town- \$20.00 for the first 2,000 gallons and \$3.70 per 1,000 gallons thereafter

Out of town- \$25.50 for the first 2,000 gallons and \$3.70 per 1,000 gallons thereafter

The monthly sewer rates are based on water consumption as follows:

Residential:

\$13.50 for the first 2,000 gallons and \$.90 per 1,000 gallons thereafter

Commercial:

\$20.50 for the first 2,000 gallons and \$2.50 per 1,000 gallons thereafter

VILLAGE OF HESSMER, LOUISIANA

Schedule of Insurance In Force
For the year Ended August 31, 2021

Description of Coverage	Asset Covered	Amount of Coverage	Ins. Co.	Expiration Date
Workmen's compensation	All Employees	\$100,000 each employee	LWCC	5/1/22
Property	Pump House & Pumps	\$150,000	First Insurance	5/1/22
	Storage Building	\$146,500	First Insurance	5/1/22
	City Hall / PD	\$240,000	First Insurance	5/1/22
	Gymnasium	\$100,000	First Insurance	5/1/22
	Recreation Equipment	\$35,000	First Insurance	5/1/22
	Sewer Treatment Plant	\$250,000	First Insurance	5/1/22
	Water Tower, Wells, Motors & Tanks	\$1,010,000	First Insurance	5/1/22
General Liability	Commercial	\$500,000	First Insurance	5/1/22
	Law Enforcement Officer	\$500,000	First Insurance	5/1/22
	Crime	\$25,000	First Insurance	5/1/22
	Errors & Omissions	\$500,000	First Insurance	5/1/22
	Automobiles	\$500,000	First Insurance	5/1/22
Blanket Bond	Mayor	\$500,000	First Insurance	12/15/21
Special Risk	Fire Station	\$414,411	VSIF	5/1/22
	Fire Station Garage	\$103,903	VSIF	5/1/22
	General Liability (Fire)	\$1,000,000 each occurrence	VSIF	5/1/22
	Vehicles	\$937,500	VSIF	5/1/22
	Crime	\$20,000	VSIF	5/1/22

VILLAGE OF HESSMER, LOUISIANA
 Enterprise Fund
 Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
 For the Years Ended August 31, 2021 and 2020

	Water		Sewer		Totals	
	2021	2020	2021	2020	2021	2020
Operating revenues:						
Charges for services	\$ 409,919	\$ 398,363	\$ 82,176	\$ 72,142	\$ 492,095	\$ 470,505
Installation and other charges	1,966	9,014	719	-	2,685	9,014
Total operating revenues	<u>411,885</u>	<u>407,377</u>	<u>82,895</u>	<u>72,142</u>	<u>494,780</u>	<u>479,519</u>
Operating expenses:						
Salaries and labor	106,343	116,237	9,600	14,400	115,943	130,637
Payroll taxes	8,136	8,893	734	1,102	8,870	9,995
Depreciation	143,655	143,788	70,826	72,110	214,481	215,898
Maintenance and repairs	20,966	16,452	18,598	13,195	39,564	29,647
Office supplies	10,281	3,519	8	362	10,289	3,881
Legal and professional	45,610	18,630	17,536	8,194	63,146	26,824
Insurance	28,996	31,104	2,352	3,127	31,348	34,231
Fuel and oil	9,703	7,556	350	-	10,053	7,556
Chemicals and supplies	99,194	90,414	3,426	3,788	102,620	94,202
Utilities and telephone	16,696	16,997	15,869	15,422	32,565	32,419
Laboratory testing	1,970	-	7,257	5,476	9,227	5,476
Other	<u>13,919</u>	<u>28,341</u>	<u>729</u>	<u>1,714</u>	<u>14,648</u>	<u>30,055</u>
Total operating expenses	<u>505,469</u>	<u>481,931</u>	<u>147,285</u>	<u>138,890</u>	<u>652,754</u>	<u>620,821</u>
Net operating loss	<u>\$ (93,584)</u>	<u>\$ (74,554)</u>	<u>\$ (64,390)</u>	<u>\$ (66,748)</u>	<u>\$ (157,974)</u>	<u>\$ (141,302)</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Accounts Receivable Aging
For the Year Ended August 31, 2021

Records maintained by the Village indicated accounts receivables aging as follows:

Department
Water and Sewerage:
Current
30 to 60 days
61 to 90 days
Total

Current	\$ 50,342
30 to 60 days	1,450
61 to 90 days	309
Total	<u>\$ 52,101</u>

**INTERNAL CONTROL,
COMPLIANCE
AND OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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Matthew E. Margaglio, CPA*
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Bryan K. Joubert, CPA
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C. Burton Kolder, CPA*
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mark Jeanssone, Mayor
and Members of the Board of Aldermen
Village of Hessmer, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Hessmer, Louisiana (Village) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion of the effectiveness of the Village'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 Village'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2021-001 through 2021-005, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2021-006 through 2021-007.

Village of Hessmer, Louisiana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village of Hessmer, Louisiana's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Village of Hessmer, Louisiana's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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. Although the intended use of this report may be limited, 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

Alexandria, Louisiana
May 26, 2022

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2021

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

A. Internal Control Over Financial Reporting

2021-001 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities in the financial statement preparation process.

CRITERIA: The Village's internal control over financial reporting includes policies and procedures that pertain to is the ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The cause of the condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related supporting transactions may reflect a departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: We evaluated the cost vs. benefit of establishing enhanced internal controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receives annual training related to their job duties and we carefully review the financial statements, related notes, and all proposed adjustments. All questions are adequately addressed by our auditors which allows us to appropriately supervise these functions. We feel we have taken appropriate steps to reduce the financial statement risk caused by this finding.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2021

2021-002 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2007

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

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

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

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village agrees with the finding. Due to the size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are made to segregate duties where feasible. In an effort to enhance controls the Board of Aldermen monitors activity and account balances in all funds.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2021

2021-003 Policies and Procedures

Fiscal year finding initially occurred: 2018

CONDITION: The Village has not adopted written policies and procedures for budgets, purchasing, processing disbursements, receipts, overtime worked in payroll, contracting, credit and debit cards, travel and expense reimbursement, ethics, debt service and disaster recovery.

CRITERIA: Written policies and procedures are necessary to provide a clear understanding of day-to-day operations.

CAUSE: The Village of Hessmer has not properly documented policies and procedures that should be followed for the areas of day-to-day operations above.

EFFECT: Failure to have written policies and procedures increases the risk of not having continuity of operations and the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should adopt formal written policies and procedures for each of the functions noted above.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management is in the process of drafting a formal, written policy and procedure manual to establish guidelines that will be followed for all operations.

2021-004 Customer Deposits Subsidiary Ledger Reconciliation

Fiscal year finding initially occurred: 2018

CONDITION: The Village is not maintaining nor reconciling a meter deposits subsidiary ledger to its meter deposits cash account, as well as the detailed general ledger liability account, on a regular basis.

CRITERIA: Internal controls should be in place to ensure all utility customer deposit activity is properly recorded.

CAUSE: The cause of the condition is the fact that the Village is not maintaining nor reconciling the customer deposit subsidiary ledger to the meter deposit cash balance nor the general ledger liability account on a reoccurring basis.

EFFECT: Failure to reconcile this subsidiary ledger could result in missing cash and customers not receiving proper credit for their customer meter deposits when accounts are closed.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2021

RECOMMENDATION: The customer deposit subsidiary ledger should be reconciled to the meter deposit cash account as well as the general ledger liability account on a monthly basis.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will review procedures related to the collections and recording of customer deposits and implement procedures to reconcile the subsidiary ledger on a monthly basis.

2021-005 Bank Reconciliations

Fiscal year finding initially occurred: 2021

CONDITION: The Village did not reconcile several bank statements in a timely manner.

CRITERIA: Internal controls should be in place to provide for the timely reconciliation of all cash account balances and to ensure all account activity is properly recorded on the Village's general ledger.

CAUSE: Internal controls are not in place to ensure the timely reconciliation of all cash accounts.

EFFECT: Failure to reconcile all cash accounts in a timely manner could lead to missing cash and incomplete financial statements.

RECOMMENDATION: All cash balances as reported on the Village's general ledger should be reconciled to appropriate supporting documentation on a monthly basis.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village has contracted with an accountant to assist with the reconciliation of all cash accounts on a monthly basis. The Village plans to resolve this issue by August 31, 2022.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2021

B. Compliance

2021-006 Budgeting Non-Compliance

Fiscal year finding initially occurred: 2021

CONDITION: Total actual expenditures incurred in the Sales Tax fund exceeded total budgeted expenditures by more than five percent.

CRITERIA: Louisiana Revised Statutes 39:1311 *Budgetary Authority and Control.*

CAUSE: Management failed to design and implement policies and procedures to ensure that expenditures incurred in the Sales Tax Fund are monitored for compliance with all state budgetary laws.

EFFECT: Management may not prevent and/or detect overspending in the Sales Tax fund in a timely manner.

RECOMMENDATION: Management should periodically compare actual expenditures to budgeted expenditures incurred in the Sales Tax fund to identify the need for budget amendments in a timelier manner.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will prepare actual vs budget financial reports for review on a periodic basis as well as proposed budget amendments as required by Louisiana State Status 39:1311.

2021-007 Traffic Citations

Fiscal year finding initially occurred: 2021

CONDITION: The Village is not ensuring that all traffic citations are accounted for in accordance with LA R.S. 32:398.1 and 32:398.2

CRITERIA: LA R.S. 32:398.1 and LA R.S. 32:398.2

CAUSE: The Village police department has not accounted for all traffic citations.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2021

EFFECT: Failure to account for all traffic citations increases the risk of errors and/or irregularities, including fraud and/or defalcations, occurring without prevention and/or detection occurring in a timely manner.

RECOMMENDATION: The Village should ensure that all traffic citations are accounted for in accordance with LA R.S. 32:398.1 and 32:398.2.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village has implemented policies and procedures along with software enhancements to ensure that all traffic citations are accounted for in accordance with LA R.S. 32:398.1 and 32:398.2.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2020-001 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Village of Hessmer does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2021-001.

2020-002 Inadequate Segregation of Accounting Functions

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

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

CURRENT STATUS: Unresolved. See item 2021-002.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2021

2020-003 Policies and procedures

CONDITION: The Village of Hessmer has not adopted written policies and procedures for budgets, purchasing, processing disbursements, receipts, overtime worked in payroll, contracting, credit and debit cards, travel and expense reimbursement, ethics, and debt service.

RECOMMENDATION: Management should adopt formal written policies and procedures for each of the functions noted above.

CURRENT STATUS: Unresolved. See item 2021-003.

2020-004 Utility Accounts Receivable and Customer Deposits Subsidiary Ledger

CONDITION: The Village of Hessmer is not maintaining an accurate subsidiary ledger for utility accounts receivables and customer deposits, and the subsidiary ledgers are not being reconciled to the meter cash account balances and general ledger accounts.

RECOMMENDATION: The accounts receivable and customer deposit subsidiary ledgers should be reconciled to the cash account and general ledger on a monthly basis.

CURRENT STATUS: Partially Resolved. See item 2021-004.

B. Compliance

2020-005 Sales Tax Non-Compliance

CONDITION: The Village of Hessmer may not be in compliance with State law requiring the collection and remittance of sales tax.

RECOMMENDATION: We recommend the Village file and remit past due returns with the State of Louisiana to prevent further penalties and interest being assessed.

CURRENT STATUS: Resolved.