

VILLAGE OF HESSMER, LOUISIANA

Financial Report

Year Ended August 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hessmer, Louisiana, (the Village) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village of Hessmer, Louisiana, as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hessmer, Louisiana's basic financial statements. The other information on pages 40 through 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information on pages 40 through 42 and 45 through 48 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

The LCDBG program financial statements on pages 43 and 44 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the LCDBG program financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021, 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
April 22, 2021

BASIC FINANCIAL STATEMENTS

**GOVERNMENT WIDE
FINANCIAL STATEMENTS (GWFS)**

VILLAGE OF HESSMER, LOUISIANA

Statement of Net Position
August 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest bearing deposits	\$ 189,953	\$ 204,020	\$ 393,973
Receivables, net	13,880	60,736	74,616
Internal balances	1,734	-	1,734
Due from other governmental agencies	-	46,200	46,200
Inventories, at cost	-	21,846	21,846
Restricted assets:			
Cash and interest bearing deposits	-	145,433	145,433
Capital assets:			
Non depreciable capital assets	57,000	55,600	112,600
Depreciable capital assets, net	<u>310,144</u>	<u>2,002,067</u>	<u>2,312,211</u>
Total assets	<u>572,711</u>	<u>2,535,902</u>	<u>3,108,613</u>
LIABILITIES			
Accounts payable	15,654	12,653	28,307
Construction contracts payable	-	55,600	55,600
Internal balances	-	1,734	1,734
Accrued interest	-	30,643	30,643
Customers deposits payable	-	90,918	90,918
Long-term liabilities:			
Portion due within one year-			
Bonds payable	-	15,679	15,679
Portion due after one year-			
Bonds payable	<u>-</u>	<u>831,926</u>	<u>831,926</u>
Total liabilities	<u>15,654</u>	<u>1,039,153</u>	<u>1,054,807</u>
NET POSITION			
Net investment in capital assets	367,144	1,214,636	1,581,780
Restricted for:			
Sales tax	171,058	-	171,058
Debt service	-	49,941	49,941
Unrestricted	<u>18,855</u>	<u>232,172</u>	<u>251,027</u>
Total net position	<u>\$ 557,057</u>	<u>\$ 1,496,749</u>	<u>\$ 2,053,806</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, 2020

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	\$ 103,197	\$ -	\$ -	\$ 6,500	\$ (96,697)	\$ -	\$ (96,697)
Public safety:							
Police	78,261	13,520	6,000	-	(58,741)	-	(58,741)
Fire	14,569	-	-	-	(14,569)	-	(14,569)
Recreation	20,545	-	-	-	(20,545)	-	(20,545)
Public Works	27,524	-	-	-	(27,524)	-	(27,524)
Total governmental activities	<u>244,096</u>	<u>13,520</u>	<u>6,000</u>	<u>6,500</u>	<u>(218,076)</u>	<u>-</u>	<u>(218,076)</u>
Business-type activities:							
Water	519,930	407,377	-	1,925	-	(110,628)	(110,628)
Sewer	138,890	72,142	-	46,200	-	(20,548)	(20,548)
Total business-type activities	<u>658,820</u>	<u>479,519</u>	<u>-</u>	<u>48,125</u>	<u>-</u>	<u>(131,176)</u>	<u>(131,176)</u>
Total	<u>\$ 902,916</u>	<u>\$ 493,039</u>	<u>\$ 6,000</u>	<u>\$ 54,625</u>	<u>(218,076)</u>	<u>(131,176)</u>	<u>(349,252)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					25,742	-	25,742
Sales and use taxes, levied for specific purposes					117,419	-	117,419
Franchise taxes					30,355	-	30,355
Intergovernmental					16,715	-	16,715
Licenses and permits					36,519	-	36,519
Interest and investment earnings					512	503	1,015
Miscellaneous					30,428	-	30,428
Transfers					(22,845)	22,845	-
Total general revenues and transfers					<u>234,845</u>	<u>23,348</u>	<u>258,193</u>
Change in net position					16,769	(107,828)	(91,059)
Net position - beginning					<u>540,288</u>	<u>1,604,577</u>	<u>2,144,865</u>
Net position - ending					<u>\$ 557,057</u>	<u>\$ 1,496,749</u>	<u>\$ 2,053,806</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, 2020

ASSETS	<u>General</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash and interest bearing deposits	\$ 19,345	\$ 170,608	\$ 189,953
Receivables:			
Taxes	-	13,880	13,880
Due from other funds	<u>18,459</u>	<u>-</u>	<u>18,459</u>
 Total assets	 <u>\$ 37,804</u>	 <u>\$ 184,488</u>	 <u>\$ 222,292</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,360	\$ 10,294	\$ 15,654
Due to other funds	<u>13,589</u>	<u>3,136</u>	<u>16,725</u>
Total liabilities	<u>18,949</u>	<u>13,430</u>	<u>32,379</u>
Fund balances:			
Restricted	-	171,058	171,058
Unassigned	<u>18,855</u>	<u>-</u>	<u>18,855</u>
Total fund balances	<u>18,855</u>	<u>171,058</u>	<u>189,913</u>
 Total liabilities and fund balances	 <u>\$ 37,804</u>	 <u>\$ 184,488</u>	 <u>\$ 222,292</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, 2020

Total fund balances for governmental funds	\$189,913
Capital assets, net	<u>367,144</u>
Net position of governmental activities at August 31, 2020	<u>\$557,057</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, 2020

	<u>General</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Revenues:			
Taxes	\$ 56,097	\$ 117,419	\$ 173,516
Licenses and permits	36,519	-	36,519
Intergovernmental	29,215	-	29,215
Fines and forfeits	13,520	-	13,520
Miscellaneous	<u>30,428</u>	<u>512</u>	<u>30,940</u>
Total revenues	<u>165,779</u>	<u>117,931</u>	<u>283,710</u>
Expenditures:			
Current -			
General government	63,402	36,002	99,404
Public safety:			
Police	76,898	-	76,898
Fire	14,569	-	14,569
Recreation	3,572	-	3,572
Public works	19,991	-	19,991
Capital outlay	-	90,966	90,966
Debt service -			
Lease payments	<u>-</u>	<u>11,281</u>	<u>11,281</u>
Total expenditures	<u>178,432</u>	<u>138,249</u>	<u>316,681</u>
Deficiency of revenues over expenditures	<u>(12,653)</u>	<u>(20,318)</u>	<u>(32,971)</u>
Other financing sources (uses):			
Transfers in	6,259	-	6,259
Transfers out	<u>-</u>	<u>(29,104)</u>	<u>(29,104)</u>
Total other financing sources (uses)	<u>6,259</u>	<u>(29,104)</u>	<u>(22,845)</u>
Net changes in fund balances	(6,394)	(49,422)	(55,816)
Fund balances, beginning	<u>25,249</u>	<u>220,480</u>	<u>245,729</u>
Fund balances, ending	<u>\$ 18,855</u>	<u>\$ 171,058</u>	<u>\$ 189,913</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, 2020

Total net changes in fund balances per statement of revenues, expenditures and changes in fund balances		\$ (55,816)
Capital assets:		
Capital outlay	\$ 90,966	
Depreciation expense	<u>(29,662)</u>	61,304
Principal paid on capital lease		<u>11,281</u>
Change in net position per statement of activities		<u>\$ 16,769</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, 2020

	Water Utility	Sewer Utility	Totals
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 103,380	\$ 100,640	\$ 204,020
Accounts receivable	50,861	9,875	60,736
Due from other funds	3,085	1,516	4,601
Due from other governmental agencies	-	46,200	46,200
Inventories, at cost	21,846	-	21,846
Total current assets	<u>179,172</u>	<u>158,231</u>	<u>337,403</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest bearing deposits	135,548	9,885	145,433
Capital assets -			
Non depreciable capital assets	-	55,600	55,600
Depreciable capital assets, net	1,762,161	239,906	2,002,067
Total noncurrent assets	<u>1,897,709</u>	<u>305,391</u>	<u>2,203,100</u>
Total assets	<u>\$ 2,076,881</u>	<u>\$ 463,622</u>	<u>\$ 2,540,503</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 12,653	\$ -	\$ 12,653
Construction contract payable	-	55,600	55,600
Due to other funds	6,335	-	6,335
Payable from restricted assets -			
Revenue bonds	15,679	-	15,679
Accrued interest payable	30,643	-	30,643
Total current liabilities	<u>65,310</u>	<u>55,600</u>	<u>120,910</u>
Noncurrent liabilities:			
Customers' deposits	81,033	9,885	90,918
Revenue bonds payable	831,926	-	831,926
Total noncurrent liabilities	<u>912,959</u>	<u>9,885</u>	<u>922,844</u>
Total liabilities	<u>978,269</u>	<u>65,485</u>	<u>1,043,754</u>
NET POSITION			
Net investment in capital assets	919,130	295,506	1,214,636
Restricted for debt service	49,941	-	49,941
Unrestricted	129,541	102,631	232,172
Total net position	<u>\$ 1,098,612</u>	<u>\$ 398,137</u>	<u>\$ 1,496,749</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, 2020

	Water Utility	Sewer Utility	Total
Operating revenues:			
Charges for services	\$ 398,363	\$ 72,142	\$ 470,505
Installation and other charges	9,014	-	9,014
Total operating revenues	<u>407,377</u>	<u>72,142</u>	<u>479,519</u>
Operating expenses:			
Salaries	116,237	14,400	130,637
Payroll taxes	8,893	1,102	9,995
Depreciation expense	143,788	72,110	215,898
Maintenance and repairs	16,452	13,195	29,647
Supplies	3,519	362	3,881
Legal and professional	18,630	8,194	26,824
Insurance	31,104	3,127	34,231
Fuel and oil	7,556	-	7,556
Chemicals and supplies	90,414	3,788	94,202
Utilities and telephone	16,997	15,422	32,419
Laboratory testing	-	5,476	5,476
Other	28,341	1,714	30,055
Total operating expenses	<u>481,931</u>	<u>138,890</u>	<u>620,821</u>
Operating loss	<u>(74,554)</u>	<u>(66,748)</u>	<u>(141,302)</u>
Nonoperating revenues (expenses):			
Federal and State grants	1,925	46,200	48,125
Interest income	498	5	503
Interest expense	<u>(37,999)</u>	<u>-</u>	<u>(37,999)</u>
Total nonoperating revenues (expenses)	<u>(35,576)</u>	<u>46,205</u>	<u>10,629</u>
Loss before transfers	<u>(110,130)</u>	<u>(20,543)</u>	<u>(130,673)</u>
Other financing sources (uses):			
Transfers in	16,493	8,770	25,263
Transfers out	<u>-</u>	<u>(2,418)</u>	<u>(2,418)</u>
Total transfers	<u>16,493</u>	<u>6,352</u>	<u>22,845</u>
Change in net position	(93,637)	(14,191)	(107,828)
Net position, beginning	<u>1,192,249</u>	<u>412,328</u>	<u>1,604,577</u>
Net position, ending	<u>\$ 1,098,612</u>	<u>\$ 398,137</u>	<u>\$ 1,496,749</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, 2020

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 415,442	\$ 72,680	\$ 488,122
Payments to suppliers	(221,376)	(51,278)	(272,654)
Payments to employees	<u>(125,130)</u>	<u>(15,502)</u>	<u>(140,632)</u>
Net cash provided by operating activities	<u>68,936</u>	<u>5,900</u>	<u>74,836</u>
Cash flows from noncapital financing activities:			
Cash paid to other funds	(6,132)	611	(5,521)
Transfers from (to) other funds	<u>16,493</u>	<u>8,770</u>	<u>25,263</u>
Net cash provided by noncapital financing activities	<u>10,361</u>	<u>9,381</u>	<u>19,742</u>
Cash flows from capital and related financing activities:			
Interest and fiscal charges paid on revenue bonds	(38,557)	-	(38,557)
Principal paid on bonds	(15,008)	-	(15,008)
Proceeds from grant	<u>1,925</u>	<u>-</u>	<u>1,925</u>
Net cash used by capital and related financing activities	<u>(51,640)</u>	<u>-</u>	<u>(51,640)</u>
Cash flows from investing activities:			
Interest received on interest-bearing deposits	<u>498</u>	<u>5</u>	<u>503</u>
Net change in cash and cash equivalents	28,155	15,286	43,441
Cash and cash equivalents, beginning of period	<u>210,773</u>	<u>97,657</u>	<u>308,430</u>
Cash and cash equivalents, end of period	<u>\$ 238,928</u>	<u>\$ 112,943</u>	<u>\$ 351,871</u>

(continued)

VILLAGE OF HESSMER, LOUISIANA

Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2020

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (74,554)	\$ (66,748)	\$ (141,302)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	143,788	72,110	215,898
Changes in current assets and liabilities:			
Accounts receivable	(18)	-	(18)
Accounts payable	(8,363)	-	(8,363)
Customer deposit payable	<u>8,083</u>	<u>538</u>	<u>8,621</u>
Net cash provided by operating activities	<u>\$ 68,936</u>	<u>\$ 5,900</u>	<u>\$ 74,836</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	\$ 91,094	\$ 88,310	\$ 179,404
Cash and interest bearing deposits - restricted	<u>119,679</u>	<u>9,347</u>	<u>129,026</u>
Total cash and cash equivalents, beginning of period	<u>210,773</u>	<u>97,657</u>	<u>308,430</u>
Cash and cash equivalents, end 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, end of period	<u>238,928</u>	<u>110,525</u>	<u>349,453</u>
Net change in cash and cash equivalents	<u>\$ 28,155</u>	<u>\$ 12,868</u>	<u>\$ 41,023</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 same item or funds designated as major at the discretion of the Village. Funds not

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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 propriety 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, 2020. 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 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.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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.

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.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic 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:

- 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.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

- 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, that 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.
- 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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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 to the production of revenue and include items such as interest expense and losses on disposal of assets.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
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 and liabilities, 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>\$ 568,617</u>
Federal deposit insurance	\$ 496,510
Uninsured and collateral held by the pledging banks, not in the Village's name	<u>72,107</u>
Total FDIC insurance and pledged securities	<u>\$ 568,617</u>

(3) Restricted Assets – Business-Type Activities

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

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Customer Deposit Fund	\$ 81,033	\$ 9,885	\$ 90,918
Sinking Fund	4,574	-	4,574
Revenue Bond Reserve Fund	10,789	-	10,789
Short Lived Asset Fund	8,280	-	8,280
Depreciation and Contingency Fund	<u>30,872</u>	<u>-</u>	<u>30,872</u>
Total restricted assets	<u>\$ 135,548</u>	<u>\$ 9,885</u>	<u>\$ 145,433</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	-	-	252,442
Equipment, furniture and fixtures	214,838	-	-	214,838
Infrastructure	185,411	90,966	-	276,377
Total capital assets	<u>652,691</u>	<u>90,966</u>	<u>-</u>	<u>743,657</u>
Less accumulated depreciation				
Buildings	156,483	4,942	-	161,425
Equipment, furniture and fixtures	148,571	13,944	-	162,515
Infrastructure	98,797	10,776	-	109,573
Total accumulated depreciation	<u>403,851</u>	<u>29,662</u>	<u>-</u>	<u>433,513</u>
Total capital assets being depreciated, net	<u>248,840</u>	<u>61,304</u>	<u>-</u>	<u>310,144</u>
Governmental activities, capital assets, net	<u>\$ 305,840</u>	<u>\$ 61,304</u>	<u>\$ -</u>	<u>\$ 367,144</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 3,793
Police	1,363
Streets and sidewalks	7,533
Recreation	<u>16,973</u>
Total depreciation expense	<u>\$ 29,662</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	\$ -	\$ 55,600
Capital assets being depreciated:				
Water system	4,121,935	9,670	-	4,131,605
Sewer system	1,794,299	-	-	1,794,299
Total capital assets being depreciated	<u>5,916,234</u>	<u>9,670</u>	<u>-</u>	<u>5,925,904</u>
Less accumulated depreciation				
Water system	2,225,656	143,788	-	2,369,444
Sewer system	1,482,283	72,110	-	1,554,393
Total accumulated depreciation	<u>3,707,939</u>	<u>215,898</u>	<u>-</u>	<u>3,923,837</u>
Total capital assets being depreciated, net	<u>2,208,295</u>	<u>(206,228)</u>	<u>-</u>	<u>2,002,067</u>
Business-type activities, capital assets, net	<u>\$ 2,208,295</u>	<u>\$ (150,628)</u>	<u>\$ -</u>	<u>\$ 2,057,667</u>

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

Water	\$ 143,788
Sewer	<u>72,110</u>
Total depreciation expense	<u>\$ 215,898</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, 2020, total future minimum lease payments expected through the expiration date of the lease (December 31, 2020) 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:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>	<u>Amount due</u> <u>in one year</u>
Direct Borrowings:					
Governmental activities					
Capital lease	\$ 11,281	\$ -	\$ 11,281	\$ -	\$ -
Direct Placements:					
Business-type activities					
Water revenue bonds	\$ 862,613	\$ -	\$ 15,008	\$ 847,605	\$ 15,679

Capital Lease Obligation

The Village entered into a capital lease agreement with Kubota Leasing on May 3, 2017 for the purchase of a tractor and various attachments with an original cost of \$55,609, bearing interest at 0%, payable in thirty-six (36) monthly installments beginning on July 2, 2017 and ending June 2, 2020. The lease was paid in full at June 30, 2020.

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.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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

Year Ending August 31,	Direct Placement Debt		
	Revenue Bonds		
	Principal	Interest	Total
2021	\$ 15,679	\$ 36,771	\$ 52,450
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
2026-2030	106,628	155,620	262,248
2031-2035	132,647	129,601	262,248
2036-2040	165,017	97,231	262,248
2041-2045	205,285	56,963	262,248
2046-2049	152,316	10,881	163,197
	<u>\$ 847,605</u>	<u>\$ 626,832</u>	<u>\$ 1,474,437</u>

(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 \$3,573 monthly for the period of November 2008 through October 2009 and a sum of \$4,371 monthly for the period of November 2009 through October 2048. In addition to these transfers the Water Fund is to transfer to the Water Reserve Fund on a monthly basis, a sum of \$179 per month for the period of November 2008 through October 2009, and a sum of \$219 per month for the period of November 2009 through October 2048 until \$52,450 has been accumulated into the Reserve Fund. In addition, the Water Fund is to transfer \$179 per month into the Water Depreciation and Contingency Fund for the period of November 2008 through October 2009 and 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. In addition, 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 on the 20th day of each month until a sum of \$49,000 has been accumulated into the Short-Lived Asset Fund.

For the year ended August 31, 2020, the Village made all transfers in accordance with bond requirements.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(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

In accordance with a settlement reached during the year ended August 31, 2011, the Village is required to provide utility services to six rent houses which were the subject of a lawsuit for a period of ten years commencing August 1, 2011, or as long as the houses do not change ownership.

(10) Compensation, Benefits and Other Payments to Mayor

A detail of compensation, benefits, and other payments paid to Mayor Travis Franks for the year ended August 31, 2020 is as follows:

Mayor:		<u>Term</u>	<u>Term</u> <u>Expiration</u>	
Travis Franks	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	<u>\$ 6,600</u>

(11) Compensation Paid to Village Officials

A detail of compensation paid to the Board of Aldermen, for the year ended August 31, 2020, is as follows:

Alderman:		<u>Term</u>	<u>Term</u> <u>Expiration</u>	
Keith Armand	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	\$ 600
Justin Gaspard	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	600
Joshua Roy	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	<u>600</u>
				<u>\$ 1,800</u>

(12) Interfund Transactions

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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General Fund	\$ 18,459	\$ 13,589
Sales Tax Fund	-	3,136
Enterprise funds:		
Water Utility Fund	3,085	6,335
Sewer Utility Fund	<u>1,516</u>	<u>-</u>
Total	<u>\$ 23,060</u>	<u>\$ 23,060</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	\$ 6,259	\$ -
Sales Tax Fund	-	29,104
Enterprise funds:		
Water Utility Fund	16,493	-
Sewer Utility Fund	<u>8,770</u>	<u>2,418</u>
Total	<u>\$ 31,522</u>	<u>\$ 31,522</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, 2020. 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, 2020, 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.

**REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2020

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 58,500	\$ 58,800	\$ 56,097	\$ (2,703)
Licenses and permits	36,000	36,500	36,519	19
Intergovernmental	23,500	29,000	29,215	215
Fines and forfeits	29,500	13,960	13,520	(440)
Miscellaneous	22,500	30,430	30,428	(2)
Total revenues	<u>170,000</u>	<u>168,690</u>	<u>165,779</u>	<u>(2,911)</u>
Expenditures:				
General government	55,050	57,330	63,402	(6,072)
Public safety -				
Police	80,900	75,910	76,898	(988)
Fire	17,200	15,430	14,569	861
Recreation	3,550	3,670	3,572	98
Streets and sidewalks	23,700	20,075	19,991	84
Total expenditures	<u>180,400</u>	<u>172,415</u>	<u>178,432</u>	<u>(6,017)</u>
Deficiency of revenues over expenditures	<u>(10,400)</u>	<u>(3,725)</u>	<u>(12,653)</u>	<u>(8,928)</u>
Other financing sources:				
Transfers in	<u>10,000</u>	<u>4,000</u>	<u>6,259</u>	<u>2,259</u>
Net change in fund balance	(400)	275	(6,394)	(6,669)
Fund balance, beginning	<u>25,249</u>	<u>25,249</u>	<u>25,249</u>	<u>-</u>
Fund balance, ending	<u>\$ 24,849</u>	<u>\$ 25,524</u>	<u>\$ 18,855</u>	<u>\$ (6,669)</u>

VILLAGE OF HESSMER, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 99,000	\$ 114,000	\$ 117,419	\$ 3,419
Interest income	<u>500</u>	<u>500</u>	<u>512</u>	<u>12</u>
Total revenues	<u>99,500</u>	<u>114,500</u>	<u>117,931</u>	<u>3,431</u>
Expenditures:				
General government	78,120	36,483	36,002	481
Capital outlay	100,000	94,300	90,966	3,334
Debt service -				
Lease payments	<u>-</u>	<u>12,000</u>	<u>11,281</u>	<u>719</u>
Total expenditures	<u>178,120</u>	<u>142,783</u>	<u>138,249</u>	<u>4,534</u>
Deficiency of revenues over expenditures	<u>(78,620)</u>	<u>(28,283)</u>	<u>(20,318)</u>	<u>7,965</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(29,104)</u>	<u>(29,104)</u>
Net change in fund balance	(78,620)	(28,283)	(49,422)	(21,139)
Fund balances, beginning	<u>220,480</u>	<u>220,480</u>	<u>220,480</u>	<u>-</u>
Fund balances, ending	<u>\$ 141,860</u>	<u>\$ 192,197</u>	<u>\$ 171,058</u>	<u>\$ (21,139)</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended August 31, 2020

(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 incurred expenditures in excess of appropriations for the year ended August 31, 2020.

OTHER SUPPLEMENTARY INFORMATION

OTHER INFORMATION

VILLAGE OF HESSMER, LOUISIANA
General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 25,000	\$ 26,000	\$ 25,742	\$ (258)
Franchise -				
Electric	28,500	29,000	26,547	(2,453)
Gas	5,000	3,800	3,808	8
Total taxes	<u>58,500</u>	<u>58,800</u>	<u>56,097</u>	<u>(2,703)</u>
Licenses and permits:				
Occupational licenses	<u>36,000</u>	<u>36,500</u>	<u>36,519</u>	<u>19</u>
Intergovernmental:				
Department of Revenue and Taxation -				
Beer taxes	2,500	3,100	2,869	(231)
2% Fire insurance rebate	13,000	12,800	12,766	(34)
Avoyelles Parish Police Jury -				
Rural fire	1,000	1,100	1,080	(20)
Office of Community Development -				
LGAP grant	-	6,500	6,500	-
Louisiana Commission on Law				
Enforcement	<u>7,000</u>	<u>5,500</u>	<u>6,000</u>	<u>500</u>
Total intergovernmental	<u>23,500</u>	<u>29,000</u>	<u>29,215</u>	<u>215</u>
Fines and forfeits:				
Fines and court costs	<u>29,500</u>	<u>13,960</u>	<u>13,520</u>	<u>(440)</u>
Miscellaneous:				
Rental	21,000	19,440	19,440	-
Other sources	<u>1,500</u>	<u>10,990</u>	<u>10,988</u>	<u>(2)</u>
Total miscellaneous	<u>22,500</u>	<u>30,430</u>	<u>30,428</u>	<u>(2)</u>
Total revenues	<u>\$ 170,000</u>	<u>\$ 168,690</u>	<u>\$ 165,779</u>	<u>\$ (2,911)</u>

VILLAGE OF HESSMER, LOUISIANA
General Fund

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

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
General government -				
Administration:				
Salaries	\$ 24,000	\$ 21,750	\$ 21,600	\$ 150
Per diem - Aldermen	1,800	1,800	1,800	-
Payroll taxes	1,600	1,680	1,566	114
Insurance	5,000	12,300	13,416	(1,116)
Office supplies and expenses	2,350	2,120	2,280	(160)
Dues and subscriptions	2,000	1,900	1,788	112
Legal and professional fees	6,000	2,900	7,684	(4,784)
Repairs and maintenance	1,850	6,620	6,609	11
Utilities and telephone	6,000	5,000	4,894	106
Miscellaneous	4,450	1,260	1,765	(505)
Total general government	<u>55,050</u>	<u>57,330</u>	<u>63,402</u>	<u>(6,072)</u>
Public safety -				
Police:				
Salaries	44,000	42,250	42,844	(594)
Payroll taxes	3,400	3,700	3,597	103
Supplemental pay	7,000	5,500	6,000	(500)
Fuel and oil	4,500	4,600	5,125	(525)
Repairs and maintenance	4,000	3,100	3,018	82
Insurance	13,000	12,500	12,275	225
Supplies	2,800	2,500	2,358	142
Utilities and telephone	500	550	552	(2)
Miscellaneous	1,700	1,210	1,129	81
Total police	<u>80,900</u>	<u>75,910</u>	<u>76,898</u>	<u>(988)</u>

(continued)

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended August 31, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Fire -				
Salaries	3,000	3,000	3,000	-
Payroll taxes	200	230	210	20
Insurance	10,000	8,700	7,915	785
Utilities and telephone	4,000	3,500	3,369	131
Miscellaneous	-	-	75	(75)
Total fire	<u>17,200</u>	<u>15,430</u>	<u>14,569</u>	<u>861</u>
Recreation -				
Repairs and maintenance	300	1,240	1,137	103
Recreation facilities	2,500	1,500	1,443	57
Miscellaneous	750	930	992	(62)
Total recreation	<u>3,550</u>	<u>3,670</u>	<u>3,572</u>	<u>98</u>
Public works -				
Street lights and power	21,000	19,250	19,014	236
Repairs and maintenance	-	75	70	5
Utilities	2,700	750	907	(157)
Total streets and sidewalks	<u>23,700</u>	<u>20,075</u>	<u>19,991</u>	<u>84</u>
Total expenditures	<u>\$ 180,400</u>	<u>\$ 172,415</u>	<u>\$ 178,432</u>	<u>\$ (6,017)</u>

VILLAGE OF HESSMER, LOUISIANA

LCDBG Program - Balance Sheet
For the Year Ended August 31, 2020

	<u>2019 Sewer Rehab</u>
ASSETS	
Grant revenue receivable	<u>\$ 46,200</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Construction contracts payable	\$ 46,200
Fund balances:	
Restricted - Public works	<u>-</u>
Total liabilities and fund balances	<u>\$ 46,200</u>

VILLAGE OF HESSMER, LOUISIANA

LCDBG - Program Statement of Revenues, Expenditures and Change in Fund Balance
For the Year Ended August 31, 2020

	<u>2019 Sewer Rehab</u>
Revenues:	
LCDBG Program	<u>\$ 46,200</u>
Expenditures:	
Current - Engineering Services	<u>46,200</u>
Excess of revenues over expenditures	<u>-</u>
Fund balances, beginning	<u>-</u>
Fund balances, ending	<u><u>\$ -</u></u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Utility Customers and Rates
For the Years Ended August 31, 2020 and 2019

Records maintained by the Village indicated the following number of customers were being serviced during the month of August, 2020 and 2019:

Department	2020	2019
Water:		
Commercial	67	57
Residential	<u>998</u>	<u>993</u>
Total	<u><u>1,065</u></u>	<u><u>1,050</u></u>
Sewerage:		
Commercial	38	35
Residential	<u>238</u>	<u>255</u>
Total	<u><u>276</u></u>	<u><u>290</u></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, 2020

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

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
For the Years Ended August 31, 2020 and 2019

	Water		Sewer		Totals	
	2020	2019	2020	2019	2020	2019
Operating revenues:						
Charges for services	\$ 398,363	\$ 388,420	\$ 72,142	\$ 62,661	\$ 470,505	\$ 451,081
Installation and other charges	9,014	23,532	-	-	9,014	23,532
Total operating revenues	<u>407,377</u>	<u>411,952</u>	<u>72,142</u>	<u>62,661</u>	<u>479,519</u>	<u>474,613</u>
Operating expenses:						
Salaries and labor	116,237	120,520	14,400	14,400	130,637	134,920
Payroll taxes	8,893	9,220	1,102	1,102	9,995	10,322
Depreciation	143,788	154,081	72,110	72,862	215,898	226,943
Maintenance and repairs	16,452	84,828	13,195	3,272	29,647	88,100
Office supplies	3,519	2,011	362	25	3,881	2,036
Legal and professional	18,630	10,152	8,194	5,600	26,824	15,752
Insurance	31,104	34,696	3,127	6,452	34,231	41,148
Fuel and oil	7,556	8,477	-	-	7,556	8,477
Chemicals and supplies	90,414	79,704	3,788	7,574	94,202	87,278
Utilities and telephone	16,997	19,242	15,422	15,522	32,419	34,764
Laboratory testing	-	913	5,476	6,975	5,476	7,888
Other	28,341	42,152	1,714	(271)	30,055	41,881
Total operating expenses	<u>481,931</u>	<u>565,996</u>	<u>138,890</u>	<u>133,513</u>	<u>620,821</u>	<u>699,509</u>
Net operating loss	<u>\$ (74,554)</u>	<u>\$ (154,044)</u>	<u>\$ (66,748)</u>	<u>\$ (70,852)</u>	<u>\$ (141,302)</u>	<u>\$ (224,896)</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Accounts Receivable Aging
For the Year Ended August 31, 2020

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

<u>Department</u>	
Water and Sewerage:	
Current	\$ 58,686
30 to 60 days	1,690
61 to 90 days	<u>360</u>
Total	<u><u>\$ 60,736</u></u>

**INTERNAL CONTROL,
COMPLIANCE
AND OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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

The Honorable Mark Jeansonne, 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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 22, 2021.

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 have not been 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 2020-001 through 2020-004, that we consider to be material weaknesses.

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 which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompany schedule of current and prior year audit findings and management's corrective action plan as item 2020-005.

Village of Hessmer, Louisiana's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and corrective action plan. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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
April 22, 2021

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2020

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

A. Internal Control Over Financial Reporting

2020-001 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 financials 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, 2020

2020-002 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, 2020

2020-003 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.

2020-004 Utility Accounts Receivable and Customer Deposits Subsidiary Ledger

Fiscal year finding initially occurred: 2018

CONDITION: The Village is not maintaining a 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.

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

CAUSE: The cause of the condition is the fact that the Village is not reconciling the accounts receivables and customer deposit subsidiary ledgers to the general ledgers on a reoccurring basis.

EFFECT: Failure to reconcile these subsidiary ledgers could result in cash missing and customers not receiving proper credit on billings and their deposits.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2020

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

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

B. Compliance

2020-005 Sales Tax Non-Compliance

Fiscal year finding initially occurred: 2018

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

CRITERIA: Louisiana Revised Statutes 47:301-47:335.9 require the collection on behalf of and remittance to the State of Louisiana, a percentage sales tax on qualifying sales and activities. These collections are required to be remitted to the State by the 20th of the month following the month of collection.

CAUSE: The Village failed to remit sales tax collections to the State by the required due date.

EFFECT: The Village may not be in compliance with State Law and could be subject to penalties and interest charges on the unremitted amounts.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Village will develop a process to ensure accurate and timely reporting and remittance of sales taxes to the State.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2020

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2019-001 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 2020-001.

2019-002 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 2020-002.

2019-003 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 2019-003.

2019-004 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.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2020

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: Unresolved. See item 2020-004.

B. Compliance

2019-005 Sales Tax Non-Compliance

CONDITION: The Village of Hessmer may not be following 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.

2019-006 Untimely Deposits

CONDITION: The Village held sales tax receipts totaling \$11,481 for several weeks before depositing.

RECOMMENDATION: We recommend that the Village make all deposits in a timely manner.

CURRENT STATUS: Resolved.