

VILLAGE OF HESSMER, LOUISIANA

Financial Report

Year Ended August 31, 2017

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net position	6
Statement of activities	7
FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental funds	9
Reconciliation of the governmental funds balance sheet to the statement of net position	10
Statement of revenues, expenditures, and changes in fund balances - governmental funds	11
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	12
Statement of net position - proprietary funds	13
Statement of revenues, expenses, and changes in net position - proprietary funds	14
Statement of cash flows - proprietary funds	15-16
Notes to basic financial statements	17-32
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	34
Sales Tax Fund	35
Notes to the required supplementary information	36
OTHER SUPPLEMENTARY INFORMATION	
OTHER INFORMATION	
General fund - budgetary comparison schedule- revenues	39
General fund - budgetary comparison schedule- expenditures	40-41
Schedule of utility customers and rate schedule	42
Schedule of insurance in force	43
Comparative departmental analysis of revenues and expenses - utility fund	44
Utility fund accounts receivable aging	45
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	47-48
Summary schedule of current and prior year audit findings and management's corrective action plan	49

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INDEPENDENT AUDITOR'S REPORT

The Honorable Travis Franks, 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34 through 35 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.

Management 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 39 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Hessmer, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
February 16, 2018

BASIC FINANCIAL STATEMENTS

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Net Position
August 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and interest bearing deposits	\$ 176,032	\$ 217,339	\$ 393,371
Receivables, net	9,874	55,894	65,768
Internal balances	670	(670)	-
Inventories, at cost	-	18,062	18,062
Prepaid items	8,193	3,953	12,146
Restricted assets:			
Demand deposits	-	144,269	144,269
Capital assets:			
Non depreciable capital assets	57,000	31,455	88,455
Depreciable capital assets, net	<u>275,541</u>	<u>2,594,897</u>	<u>2,870,438</u>
Total assets	<u>527,310</u>	<u>3,065,199</u>	<u>3,592,509</u>
LIABILITIES			
Accounts payable	27,594	11,435	39,029
Accrued interest	-	32,247	32,247
Customers deposits payable	-	69,286	69,286
Long-term liabilities:			
Portion due within one year-			
Capital lease payable	13,536	10,027	23,563
Bonds payable	-	13,754	13,754
Portion due after one year-			
Capital lease payable	24,817	8,604	33,421
Bonds payable	<u>-</u>	<u>876,982</u>	<u>876,982</u>
Total liabilities	<u>65,947</u>	<u>1,022,335</u>	<u>1,088,282</u>
NET POSITION			
Net investment in capital assets	294,188	1,716,985	2,011,173
Restricted for:			
Sales tax dedications	151,411	-	151,411
Debt Service	-	28,982	28,982
Unrestricted	<u>15,764</u>	<u>296,897</u>	<u>312,661</u>
Total net position	<u>\$ 461,363</u>	<u>\$ 2,042,864</u>	<u>\$ 2,504,227</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, 2017

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	\$ 56,937	\$ -	\$ -	\$ 4,030	\$ (52,907)	\$ -	\$ (52,907)
Public safety:							
Police	148,482	54,460	9,000	-	(85,022)	-	(85,022)
Fire	11,861	-	-	-	(11,861)	-	(11,861)
Recreation	26,761	-	-	-	(26,761)	-	(26,761)
Public Works	46,111	-	-	-	(46,111)	-	(46,111)
Total governmental activities	<u>290,152</u>	<u>54,460</u>	<u>9,000</u>	<u>4,030</u>	<u>(222,662)</u>	<u>-</u>	<u>(222,662)</u>
Business-type activities:							
Water	499,535	404,794	-	-	-	(94,741)	(94,741)
Sewer	128,354	64,682	-	-	-	(63,672)	(63,672)
Total business-type activities	<u>627,889</u>	<u>469,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158,413)</u>	<u>(158,413)</u>
Total	<u>\$ 918,041</u>	<u>\$ 523,936</u>	<u>\$ 9,000</u>	<u>\$ 4,030</u>	<u>(222,662)</u>	<u>(158,413)</u>	<u>(381,075)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					25,166	-	25,166
Sales and use taxes, levied for specific purposes					101,189	-	101,189
Franchise taxes					33,444	-	33,444
Intergovernmental					21,978	-	21,978
Licenses and permits					40,740	-	40,740
Interest and investment earnings					299	656	955
Miscellaneous					29,509	-	29,509
Transfers					(3,143)	3,143	-
Total general revenues and transfers					<u>249,182</u>	<u>3,799</u>	<u>252,981</u>
Change in net position					26,520	(154,614)	(128,094)
Net position - Beginning					<u>434,843</u>	<u>2,197,478</u>	<u>2,632,321</u>
Net position - Ending					<u>\$ 461,363</u>	<u>\$2,042,864</u>	<u>\$ 2,504,227</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, 2017

ASSETS	<u>General</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash and interest bearing deposits	\$ 12,947	\$ 163,085	\$ 176,032
Receivables:			
Taxes	348	8,726	9,074
Other	800	-	800
Due from other funds	670	-	670
Prepaid items	<u>8,193</u>	<u>-</u>	<u>8,193</u>
 Total assets	 <u>\$ 22,958</u>	 <u>\$ 171,811</u>	 <u>\$ 194,769</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 7,194</u>	<u>\$ 20,400</u>	<u>\$ 27,594</u>
Fund balances:			
Nonspendable - prepaid items	8,193	-	8,193
Restricted	-	151,411	151,411
Unassigned	<u>7,571</u>	<u>-</u>	<u>7,571</u>
Total fund balances	<u>15,764</u>	<u>151,411</u>	<u>167,175</u>
 Total liabilities and fund balances	 <u>\$ 22,958</u>	 <u>\$ 171,811</u>	 <u>\$ 194,769</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, 2017

Total fund balances for governmental funds	\$167,175
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets, net	332,541
Long-term liabilities:	
Capital lease payable	<u>(38,353)</u>
Net position of governmental activities	<u>\$461,363</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, 2017

	<u>General</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Revenues:			
Taxes	\$ 58,610	\$ 101,189	\$ 159,799
Licenses and permits	40,740	-	40,740
Intergovernmental	35,008	-	35,008
Fines and forfeits	54,460	-	54,460
Miscellaneous	<u>29,509</u>	<u>299</u>	<u>29,808</u>
Total revenues	<u>218,327</u>	<u>101,488</u>	<u>319,815</u>
Expenditures:			
Current -			
General government	45,351	2,990	48,341
Public safety:			
Police	140,214	-	140,214
Fire	11,861	-	11,861
Recreation	13,119	-	13,119
Public works	25,230	16,847	42,077
Capital outlay	3,605	55,609	59,214
Debt service -			
Lease payments	<u>-</u>	<u>2,256</u>	<u>2,256</u>
Total expenditures	<u>239,380</u>	<u>77,702</u>	<u>317,082</u>
Excess (deficiency) of revenues over expenditures	<u>(21,053)</u>	<u>23,786</u>	<u>2,733</u>
Other financing sources (uses):			
Proceeds from capital lease	-	40,609	40,609
Transfers in	24,000	-	24,000
Transfers out	<u>(638)</u>	<u>(26,505)</u>	<u>(27,143)</u>
Total other financing sources (uses)	<u>23,362</u>	<u>14,104</u>	<u>37,466</u>
Net changes in fund balances	2,309	37,890	40,199
Fund balances, beginning	<u>13,455</u>	<u>113,521</u>	<u>126,976</u>
Fund balances, ending	<u>\$ 15,764</u>	<u>\$ 151,411</u>	<u>\$ 167,175</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, 2017

Total net changes in fund balances per statement of revenues, expenditures and changes in fund balances		\$ 40,199
Capital assets	\$ 59,214	
Depreciation expense	<u>(34,540)</u>	24,674
Proceeds from capital lease		(40,609)
Principal paid on capital lease		<u>2,256</u>
Change in net position per statement of activities		<u>\$ 26,520</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, 2017

	Water Utility	Sewer Utility	Totals
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 120,014	\$ 97,325	\$ 217,339
Accounts receivable	47,737	8,157	55,894
Due from other funds	-	231	231
Inventories, at cost	18,062	-	18,062
Prepaid items	3,108	845	3,953
Total current assets	<u>188,921</u>	<u>106,558</u>	<u>295,479</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest bearing deposits	135,862	8,407	144,269
Capital assets -			
Non depreciable capital assets	31,455	-	31,455
Depreciable capital assets, net	2,145,373	449,524	2,594,897
Total noncurrent assets	<u>2,312,690</u>	<u>457,931</u>	<u>2,770,621</u>
Total assets	<u>2,501,611</u>	<u>564,489</u>	<u>3,066,100</u>
LIABILITIES			
Current liabilities:			
Accounts payable	9,173	2,262	11,435
Due to other funds	901	-	901
Capital lease payable	10,027	-	10,027
Payable from restricted assets -			
Revenue bonds	13,754	-	13,754
Accrued interest payable	32,247	-	32,247
Total current liabilities	<u>66,102</u>	<u>2,262</u>	<u>68,364</u>
Noncurrent liabilities:			
Customers' deposits	60,879	8,407	69,286
Capital lease payable	8,604	-	8,604
Revenue bonds payable	876,982	-	876,982
Total noncurrent liabilities	<u>946,465</u>	<u>8,407</u>	<u>954,872</u>
Total liabilities	<u>1,012,567</u>	<u>10,669</u>	<u>1,023,236</u>
NET POSITION			
Net investment in capital assets	1,267,461	449,524	1,716,985
Restricted for debt service	28,982	-	28,982
Unrestricted	192,601	104,296	296,897
Total net position	<u>\$ 1,489,044</u>	<u>\$ 553,820</u>	<u>\$ 2,042,864</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, 2017

	Water Utility	Sewer Utility	Total
Operating revenues:			
Charges for services	\$ 379,444	\$ 63,042	\$ 442,486
Installation and other charges	25,350	1,640	26,990
Total operating revenues	<u>404,794</u>	<u>64,682</u>	<u>469,476</u>
Operating expenses:			
Salaries	125,772	13,800	139,572
Payroll taxes	9,561	1,102	10,663
Depreciation expense	150,090	71,845	221,935
Maintenance and repairs	24,976	1,564	26,540
Supplies	2,244	169	2,413
Legal and professional	3,504	3,390	6,894
Insurance	24,802	5,754	30,556
Fuel and oil	5,633	-	5,633
Chemicals and supplies	71,154	8,872	80,026
Utilities and telephone	20,381	14,721	35,102
Laboratory testing	1,215	6,021	7,236
Other	21,226	1,116	22,342
Total operating expenses	<u>460,558</u>	<u>128,354</u>	<u>588,912</u>
Operating income (loss)	<u>(55,764)</u>	<u>(63,672)</u>	<u>(119,436)</u>
Nonoperating revenues (expenses):			
Interest income	376	280	656
Interest expense	<u>(38,977)</u>	<u>-</u>	<u>(38,977)</u>
Total nonoperating revenues (expenses)	<u>(38,601)</u>	<u>280</u>	<u>(38,321)</u>
Loss before transfers	<u>(94,365)</u>	<u>(63,392)</u>	<u>(157,757)</u>
Transfers in	27,143	-	27,143
Transfers out	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Total transfers	<u>3,143</u>	<u>-</u>	<u>3,143</u>
Change in net position	(91,222)	(63,392)	(154,614)
Net position, beginning	<u>1,580,266</u>	<u>617,212</u>	<u>2,197,478</u>
Net position, ending	<u>\$ 1,489,044</u>	<u>\$ 553,820</u>	<u>\$ 2,042,864</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, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$381,601	\$ 63,052	\$ 444,653
Payments to suppliers	(175,244)	(44,335)	(219,579)
Payments to employees	(135,333)	(14,902)	(150,235)
Other receipts	<u>25,350</u>	<u>1,640</u>	<u>26,990</u>
Net cash provided (used) by operating activities	<u>96,374</u>	<u>5,455</u>	<u>101,829</u>
Cash flows from noncapital financing activities:			
Cash received from other funds	901	-	901
Cash paid to other funds	-	(231)	(231)
Transfers from (to) other funds	<u>3,143</u>	<u>-</u>	<u>3,143</u>
Net cash provided (used) by noncapital financing activities	<u>4,044</u>	<u>(231)</u>	<u>3,813</u>
Cash flows from capital and related financing activities:			
Interest and fiscal charges paid on revenue bonds	(40,049)	-	(40,049)
Principal paid on bonds	(13,166)	-	(13,166)
Principal paid on capital lease	(9,712)	-	(9,712)
Acquisition of property, plant and equipment	<u>(74,427)</u>	<u>(18,177)</u>	<u>(92,604)</u>
Net cash used by capital and related financing activities	<u>(137,354)</u>	<u>(18,177)</u>	<u>(155,531)</u>
Cash flows from investing activities:			
Interest received on interest-bearing deposits	<u>664</u>	<u>280</u>	<u>944</u>
Net change in cash and cash equivalents	(36,272)	(12,673)	(48,945)
Cash and cash equivalents, beginning of period	<u>292,148</u>	<u>118,405</u>	<u>410,553</u>
Cash and cash equivalents, end of period	<u>\$255,876</u>	<u>\$ 105,732</u>	<u>\$ 361,608</u>

(continued)

VILLAGE OF HESSMER, LOUISIANA

Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended August 31, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (55,764)	\$ (63,672)	\$ (119,436)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	150,090	71,845	221,935
Changes in current assets and liabilities:			
Accounts receivable	(3,943)	(30)	(3,973)
Inventory	(58)	-	(58)
Prepaid items	(3,108)	(845)	(3,953)
Accounts payable	3,057	(1,883)	1,174
Customer deposit payable	6,100	40	6,140
Net cash provided (used) by operating activities	<u>\$ 96,374</u>	<u>\$ 5,455</u>	<u>\$ 101,829</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 -			
Demand deposits - unrestricted	\$ 174,087	\$ 110,039	\$ 284,126
Demand deposits - restricted	<u>118,061</u>	<u>8,366</u>	<u>126,427</u>
Total cash and cash equivalents, beginning of period	<u>292,148</u>	<u>118,405</u>	<u>410,553</u>
Cash and cash equivalents, end of period -			
Demand deposits - unrestricted	120,014	97,325	217,339
Demand deposits - restricted	<u>135,862</u>	<u>8,407</u>	<u>144,269</u>
Total cash and cash equivalents, end of period	<u>255,876</u>	<u>105,732</u>	<u>361,608</u>
Net change	<u>\$ (36,272)</u>	<u>\$ (12,673)</u>	<u>\$ (48,945)</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, ad valorem and sales tax revenue, franchise fees, charges for services, and investment income based upon this concept. Expenditures generally are recognized when the related fund liabilities are incurred and become payable in the current period. Proceeds of debt are reported as other financing sources, and principal and interest on long-term debt, as well as expenditure 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, 2017. 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.”

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond August 31, 2017, are recorded as prepaid items.

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 accounts 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 fair market value 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
Vehicles and movable equipment	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 is 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, 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.

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 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 9

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. 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>\$ 539,723</u>
Federal deposit insurance	\$ 479,416
Uninsured and collateral held by the pledging banks, not in the Village's name	<u>60,307</u>
Total FDIC insurance and pledged securities	<u>\$ 539,723</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	\$ 69,790	\$ 8,407	\$ 78,197
Sinking Fund	159	-	159
Revenue Bond Reserve Fund	22,568	-	22,568
Short Lived Asset Fund	20,777	-	20,777
Depreciation and Contingency Fund	<u>22,568</u>	<u>-</u>	<u>22,568</u>
Total restricted assets	<u>\$ 135,862</u>	<u>\$ 8,407</u>	<u>\$ 144,269</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
Other capital assets -				
Buildings	252,442	-	-	252,442
Equipment, furniture and fixtures	143,978	59,214	-	203,192
Infrastructure	153,419	-	-	153,419
Total capital assets	<u>606,839</u>	<u>59,214</u>	<u>-</u>	<u>666,053</u>
Less accumulated depreciation -				
Buildings	140,190	5,920	-	146,110
Equipment, furniture and fixtures	86,442	20,246	-	106,688
Infrastructure	72,340	8,374	-	80,714
Total accumulated depreciation	<u>298,972</u>	<u>34,540</u>	<u>-</u>	<u>333,512</u>
Governmental activities, capital assets, net	<u>\$ 307,867</u>	<u>\$ 24,674</u>	<u>\$ -</u>	<u>\$ 332,541</u>
Business-type activities:				
Capital assets not being depreciated -				
Construction in progress	\$ 261,617	\$ 31,455	\$261,617	\$ 31,455
Other capital assets -				
Water system	3,778,981	304,589	-	4,083,570
Sewer system	1,767,514	18,177	-	1,785,691
Totals	<u>5,808,112</u>	<u>354,221</u>	<u>261,617</u>	<u>5,900,716</u>
Less accumulated depreciation -				
Water system	1,788,107	150,090	-	1,938,197
Sewer system	1,264,322	71,845	-	1,336,167
Total accumulated depreciation	<u>3,052,429</u>	<u>221,935</u>	<u>-</u>	<u>3,274,364</u>
Business-type activities, capital assets, net	<u>\$2,755,683</u>	<u>\$ 132,286</u>	<u>\$261,617</u>	<u>\$2,626,352</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 8,596
Police	8,268
Streets and sidewalks	4,034
Recreation	<u>13,642</u>
Total depreciation expense	<u>\$ 34,540</u>

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

Water	\$ 150,090
Sewer	<u>71,845</u>
Total depreciation expense	<u>\$ 221,935</u>

(5) Changes in Long-Term Liabilities

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

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Ending</u>	<u>Amount due in one year</u>
Governmental activities					
Capital lease	\$ -	\$ 40,609	\$ 2,256	38,353	\$ 13,536
Business-type activities					
Capital lease	28,343	-	9,712	18,631	10,027
Water revenue bond	<u>903,902</u>	-	<u>13,166</u>	<u>890,736</u>	<u>13,754</u>
Total	<u>\$ 932,245</u>	<u>\$ 40,609</u>	<u>\$ 25,134</u>	<u>\$ 947,720</u>	<u>\$ 37,317</u>

Bonds payable at August 31, 2017 were comprised of the following:

\$980,000 of 2008 Water Revenue serial bonds dated October 28, 2008, due in monthly installments of \$4,371 through October 28, 2048; interest at 4.38 percent; secured with water system revenues. \$ 890,736

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

Annual debt service requirements of bonds outstanding were as follows:

Year Ending August 31,	Business-type Activities		
	Revenue Bonds		
	Principal	Interest	Total
2018	\$ 13,754	\$ 38,696	\$ 52,450
2019	14,367	38,082	52,449
2020	15,009	37,441	52,450
2021	15,679	36,771	52,450
2022	16,379	36,071	52,450
2023-2027	93,535	168,713	262,248
2028-2032	116,359	145,889	262,248
2033-2037	144,754	117,494	262,248
2038-2042	180,078	82,170	262,248
2043-2047	224,021	38,227	262,248
2048-2049	56,801	1,498	58,299
	<u>\$ 890,736</u>	<u>\$ 741,052</u>	<u>\$ 1,631,788</u>

The following is information relating to the capital lease payable:

	Maturity Date	Interest Rate	Balance Outstanding
Kubota	6/2/2020	0.00%	\$ 38,353
Caterpillar	5/29/2019	3.20%	18,631
			<u>\$ 56,984</u>

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

Year Ending August 31,	Principal	Interest	Total
2018	23,563	450	24,013
2019	22,140	127	22,267
2020	11,281	-	11,281
	<u>\$ 56,984</u>	<u>\$ 577</u>	<u>\$ 57,561</u>

Leased equipment and vehicles under capital lease were included in capital assets as follows:

Equipment and vehicles	\$ 103,958
Less: Accumulated depreciation	(31,668)
Net	<u>\$ 72,290</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

Depreciation of leased equipment and vehicles under capital leases in the amount of \$11,523 for the year ended August 31, 2017 was included in depreciation expense.

(6) 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, 2017, the Village did not make all transfers in accordance with bond requirements.

(7) Sales and Use Tax

The proceeds of a 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%).

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(8) 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.

(9) 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, 2017 is as follows:

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

(10) Compensation Paid to Village Officials

A detail of compensation paid to the Board of Aldermen, for the year ended August 31, 2017, is as follows:

Alderman:		<u>Term</u>	<u>Term Expiration</u>	
Keith Armand	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	\$ 600
Donald Bernard	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2016	200
Justin Gaspard	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	400
Joshua Roy	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	<u>600</u>
				<u>\$ 1,800</u>

(11) Interfund Transactions

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 670	\$ -
Enterprise funds -		
Water Utility Fund	-	901
Sewer Utility Fund	231	-
Total	<u>\$ 901</u>	<u>\$ 901</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

B. Transfers consisted of the following at August 31, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 24,000	\$ 638
Sales Tax Fund	-	26,505
Enterprise funds:		
Water Utility Fund	<u>27,143</u>	<u>24,000</u>
 Total	 <u>\$ 51,143</u>	 <u>\$ 51,143</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.

(12) On-Behalf Payment of Salaries

The State of Louisiana paid the Village's policemen \$9,000 of supplemental pay during the year ended August 31, 2017. Such payments are recorded as intergovernmental revenues and public safety expenditures in the government-wide and General Fund financial statements.

(13) Litigation and Claims

At August 31, 2017, the Village was not involved in any lawsuits claiming damages that would not be adequately covered by liability insurance.

(14) 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.

**REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 53,600	\$ 58,400	\$ 58,610	\$ 210
Licenses and permits	37,000	38,280	40,740	2,460
Intergovernmental	30,550	29,900	35,008	5,108
Fines and forfeits	61,000	52,675	54,460	1,785
Miscellaneous	19,555	23,497	29,509	6,012
Total revenues	<u>201,705</u>	<u>202,752</u>	<u>218,327</u>	<u>15,575</u>
Expenditures:				
General government	41,050	45,630	45,351	279
Public safety -				
Police	132,375	137,650	140,214	(2,564)
Fire	18,900	18,000	11,861	6,139
Recreation	15,650	12,775	13,119	(344)
Streets and sidewalks	28,750	24,900	25,230	(330)
Capital outlay	-	-	3,605	(3,605)
Total expenditures	<u>236,725</u>	<u>238,955</u>	<u>239,380</u>	<u>(425)</u>
Deficiency of revenues over expenditures	<u>(35,020)</u>	<u>(36,203)</u>	<u>(21,053)</u>	<u>15,150</u>
Other financing sources (uses):				
Transfers in	35,000	38,000	24,000	14,000
Transfers out	-	-	(638)	638
Total other financing sources (uses)	<u>35,000</u>	<u>38,000</u>	<u>23,362</u>	<u>14,638</u>
Net change in fund balance	(20)	1,797	2,309	29,788
Fund balance, beginning	<u>13,455</u>	<u>13,455</u>	<u>13,455</u>	<u>-</u>
Fund balance, ending	<u>\$ 13,435</u>	<u>\$ 15,252</u>	<u>\$ 15,764</u>	<u>\$ 29,788</u>

VILLAGE OF HESSMER, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 105,000	\$ 102,000	\$ 101,189	\$ (811)
Interest income	1,800	275	299	24
Total revenues	<u>106,800</u>	<u>102,275</u>	<u>101,488</u>	<u>(787)</u>
Expenditures:				
General government	-	16,250	2,990	13,260
Public works	61,900	12,200	16,847	(4,647)
Capital outlay	-	-	55,609	(55,609)
Debt service -				
Lease payments	-	-	2,256	(2,256)
Total expenditures	<u>61,900</u>	<u>28,450</u>	<u>77,702</u>	<u>(49,252)</u>
Excess of revenues over expenditures	<u>44,900</u>	<u>73,825</u>	<u>23,786</u>	<u>(50,039)</u>
Other financing uses:				
Proceeds from capital lease	-	-	40,609	40,609
Transfers out	10,000	10,000	(26,505)	(36,505)
Total other financing uses	<u>10,000</u>	<u>10,000</u>	<u>14,104</u>	<u>4,104</u>
Net change in fund balance	54,900	83,825	37,890	(45,935)
Fund balances, beginning	<u>113,521</u>	<u>113,521</u>	<u>113,521</u>	<u>-</u>
Fund balances, ending	<u>\$ 168,421</u>	<u>\$ 197,346</u>	<u>\$ 151,411</u>	<u>\$ (45,935)</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended August 31, 2017

(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 taken into account 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 Sales Tax Fund incurred expenditures in excess of appropriations for the year ended August 31, 2017.

OTHER SUPPLEMENTARY INFORMATION

OTHER INFORMATION

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended August 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 22,500	\$ 27,200	\$ 25,166	\$ (2,034)
Franchise -				
Electric	27,000	27,300	30,228	2,928
Gas	4,100	3,900	3,216	(684)
Total taxes	<u>53,600</u>	<u>58,400</u>	<u>58,610</u>	<u>210</u>
Licenses and permits:				
Occupational licenses	<u>37,000</u>	<u>38,280</u>	<u>40,740</u>	<u>2,460</u>
Intergovernmental:				
Department of Revenue and Taxation -				
Beer taxes	2,800	2,800	3,916	1,116
2% Fire insurance rebate	13,000	14,000	14,082	82
Avoyelles Parish Police Jury -				
Rural fire	1,000	1,350	1,080	(270)
Department of Transportation -				
Grass cutting	1,750	1,750	2,900	1,150
Office of Community Development -				
LGAP grant	-	-	4,030	4,030
Louisiana Commission on Law				
Enforcement	<u>12,000</u>	<u>10,000</u>	<u>9,000</u>	<u>(1,000)</u>
Total intergovernmental	<u>30,550</u>	<u>29,900</u>	<u>35,008</u>	<u>5,108</u>
Fines and forfeits:				
Fines and court costs	<u>61,000</u>	<u>52,675</u>	<u>54,460</u>	<u>1,785</u>
Miscellaneous:				
Interest	5	-	-	-
Rental	19,500	19,440	19,440	-
Other sources	<u>50</u>	<u>4,057</u>	<u>10,069</u>	<u>6,012</u>
Total miscellaneous	<u>19,555</u>	<u>23,497</u>	<u>29,509</u>	<u>6,012</u>
Total revenues	<u>\$ 201,705</u>	<u>\$ 202,752</u>	<u>\$ 218,327</u>	<u>\$ 15,575</u>

VILLAGE OF HESSMER, LOUISIANA
General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
General government -				
Administration:				
Salaries	\$ 13,000	\$ 13,000	\$ 14,068	\$ (1,068)
Per diem - Aldermen	1,800	1,800	1,800	-
Payroll taxes	1,000	1,100	3,438	(2,338)
Insurance	5,000	2,600	4,866	(2,266)
Office supplies and expenses	3,000	2,850	2,426	424
Dues and subscriptions	1,500	1,800	1,577	223
Legal and professional fees	7,500	7,000	5,605	1,395
Repairs and maintenance	100	4,500	1,178	3,322
Utilities and telephone	5,000	6,000	5,935	65
Miscellaneous	3,150	4,980	4,458	522
Total general government	<u>41,050</u>	<u>45,630</u>	<u>45,351</u>	<u>279</u>
Public safety -				
Police:				
Salaries	75,000	82,150	80,441	1,709
Payroll taxes	6,500	7,000	6,861	139
Supplemental pay	12,000	10,000	9,000	1,000
Fuel and oil	6,500	8,000	7,985	15
Repairs and maintenance	2,200	4,000	10,247	(6,247)
Insurance	16,000	13,500	13,028	472
Supplies	4,700	3,100	4,047	(947)
Utilities and telephone	3,100	4,400	3,364	1,036
Court costs	4,500	3,000	2,993	7
Miscellaneous	1,875	2,500	2,248	252
Total police	<u>132,375</u>	<u>137,650</u>	<u>140,214</u>	<u>(2,564)</u>

(continued)

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended August 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire -				
Salaries	3,000	3,000	2,875	125
Payroll taxes	300	300	230	70
Insurance	11,000	11,000	5,047	5,953
Utilities and telephone	4,600	3,700	3,709	(9)
Total fire	<u>18,900</u>	<u>18,000</u>	<u>11,861</u>	<u>6,139</u>
Recreation -				
Salaries	1,000	1,000	889	111
Payroll taxes	100	100	68	32
Insurance	-	-	1,000	(1,000)
Repairs and maintenance	2,000	3,800	3,319	481
Recreation facilities	2,750	1,550	1,636	(86)
Supplies	2,700	-	-	-
Miscellaneous	7,100	6,325	6,207	118
Total recreation	<u>15,650</u>	<u>12,775</u>	<u>13,119</u>	<u>(344)</u>
Public works -				
Repairs and maintenance	100	-	-	-
Fuel and oil	3,000	2,000	1,680	320
Supplies	250	-	-	-
Street lights and power	18,000	20,000	21,054	(1,054)
Utilities	5,000	2,300	1,927	373
Miscellaneous	2,400	600	569	31
Total streets and sidewalks	<u>28,750</u>	<u>24,900</u>	<u>25,230</u>	<u>(330)</u>
Capital outlay -				
General Government	-	-	3,605	(3,605)
Total expenditures	<u>\$ 236,725</u>	<u>\$ 238,955</u>	<u>\$ 239,380</u>	<u>\$ (425)</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Utility Customers and Rates
For the Years Ended August 31, 2017 and 2016

Records maintained by the Village indicated the following number of customers were being serviced during the month of August, 2017 and 2016:

Department	2017	2016
Water:		
Commercial	57	57
Residential	<u>979</u>	<u>985</u>
Total	<u><u>1,036</u></u>	<u><u>1,042</u></u>
Sewerage:		
Commercial	35	35
Residential	<u>252</u>	<u>246</u>
Total	<u><u>287</u></u>	<u><u>281</u></u>

The monthly water rates of the Village are as follows:

Residential:

In town- \$15.00 for the first 2,000 gallons and \$3.20 per 1,000 gallons thereafter

Out of town-\$20.50 for the first 2,000 gallons and \$3.20 per 1,000 gallons thereafter

Commercial:

In town- \$21.00 for the first 2,000 gallons and \$3.70 per 1,000 gallons thereafter

Out of town- \$26.50 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, 2017

Description of Coverage	Asset Covered	Amount of Coverage	Ins. Co.	Expiration Date
Workmen's compensation	All Employees	\$100,000 each employee	LWCC	5/1/18
Property	Pump House & Pumps	\$150,000	First Insurance	5/1/18
	Storage Building	\$146,500	First Insurance	5/1/18
	City Hall / PD	\$240,000	First Insurance	5/1/18
	Gymnasium	\$100,000	First Insurance	5/1/18
	Sewer Treatment Plant	\$250,000	First Insurance	5/1/18
	Water Tower, Wells, Motors & Tanks	\$1,010,000	First Insurance	5/1/18
General Liability	Commercial	\$500,000	First Insurance	5/1/18
	Law Enforcement Officer	\$500,000	First Insurance	5/1/18
	Errors & Omissions	\$500,000	First Insurance	5/1/18
	Automobiles	\$500,000	First Insurance	5/1/18
Blanket Bond	All Employees	\$500,000	First Insurance	11/17/17
Blanket Bond	Mayor	\$500,000	First Insurance	12/15/18
Collision	Automobiles	\$25,000	First Insurance	5/1/18
Property	Caterpillar	\$47,999	Caterpillar Insurance Co.	6/30/19
Special Risk	Fire Station	\$400,458	Special Risk Insurane	5/1/18
	Fire Station Garage	\$92,369	Special Risk Insurane	5/1/18
	General Liability (Fire)	\$1,000,000 each occurrence	Special Risk Insurane	5/1/18
	Accidental Death	\$10,000	Special Risk Insurane	5/1/18

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
For the Years Ended August 31, 2017 and 2016

	Water		Sewer		Totals	
	2017	2016	2017	2016	2017	2016
Operating revenues:						
Charges for services	\$ 379,444	\$ 381,098	\$ 63,042	\$ 64,307	\$ 442,486	\$ 445,405
Installation and other charges	25,350	20,969	1,640	-	26,990	20,969
Total operating revenues	<u>404,794</u>	<u>402,067</u>	<u>64,682</u>	<u>64,307</u>	<u>469,476</u>	<u>466,374</u>
Operating expenses:						
Salaries and labor	125,772	107,223	13,800	15,000	139,572	122,223
Payroll taxes	9,561	7,770	1,102	1,102	10,663	8,872
Depreciation	150,090	139,961	71,845	69,807	221,935	209,768
Maintenance and repairs	24,976	19,303	1,564	21,148	26,540	40,451
Office supplies	2,244	2,056	169	61	2,413	2,117
Legal and professional	3,504	4,013	3,390	3,275	6,894	7,288
Insurance	24,802	27,129	5,754	6,484	30,556	33,613
Fuel and oil	5,633	5,264	-	-	5,633	5,264
Chemicals and supplies	71,154	48,712	8,872	4,759	80,026	53,471
Utilities and telephone	20,381	17,032	14,721	11,352	35,102	28,384
Laboratory testing	1,215	1,781	6,021	6,775	7,236	8,556
Other	21,226	10,752	1,116	1,568	22,342	12,320
Total operating expenses	<u>460,558</u>	<u>390,996</u>	<u>128,354</u>	<u>141,331</u>	<u>588,912</u>	<u>532,327</u>
Net operating income (loss)	<u>\$ (55,764)</u>	<u>\$ 11,071</u>	<u>\$ (63,672)</u>	<u>\$ (77,024)</u>	<u>\$ (119,436)</u>	<u>\$ (65,953)</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Accounts Receivable Aging
For the Year Ended August 31, 2017

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

<u>Department</u>	
Water and Sewerage:	
Current	\$ 54,007
30 to 60 days	1,556
61 to 90 days	331
Over 90 days	-
Total	<u>\$ 55,894</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 Travis Franks, 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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 16, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on 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 summary schedule of current and prior year audit findings and management's corrective action plan as items 2017-001 and 2017-002 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2017-003 and 2017-004.

Village of Hessmer, Louisiana's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying summary 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
February 16, 2018

VILLAGE OF HESSMER, LOUISIANA

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

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (8/31/17)						
<u>Internal Control:</u>						
2017-001	Unknown	Due to the small number of administrative personnel, the Village did not have adequate segregation of accounting functions.		We agree that a complete segregation of accounting functions would strengthen the controls, but with limited current financial resources, we are not able to hire additional personnel at this time.	Mayor Travis Franks	N/A
2017-002	2007	The Village does not have a staff person who has the ability to independently prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP).		The Village has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Mayor Travis Franks	N/A
<u>Compliance:</u>						
2017-003	2017	The Village did not make all of the payments to their Reserve, Contingency and Short Lived Asset funds, as required by their debt agreements.		The Village will make the required transfers into the Reserve, Contingency and Short Lived Asset funds on a monthly basis.	Mayor Travis Franks	Immediately
2017-004	2017	Budget variance in excess of 5% was incurred in the Sales Tax Fund in violation of LSA-RS 39:1311.		The Village will periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statute.	Mayor Travis Franks	Immediately
PRIOR YEAR (8/31/16)						
<u>Internal Control:</u>						
2016-001	Unknown	Due to the small number of administrative personnel, the Village did not have adequate segregation of accounting functions.	No	See current year finding 2017-001		
2016-002	2007	The Village does not have a staff person who has the ability to independently prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP).	No	See current year finding 2017-002		

Compliance:

There were no instances of compliance that were required to be reported.

Village of Hessmer
Hessmer, Louisiana

Agreed-Upon Procedures Report

Period Ended August 31, 2017

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Travis Franks, Mayor
and Members of the Board of Alderman,
Village of Hessmer, and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Village of Hessmer and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2016 through August 31, 2017. The Village of Hessmer's management is responsible for those C/C identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained the entity's written policies and procedures and reported whether those written policies and procedures address each of the following financial/business functions (or reported that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) *Receipts*, including receiving, recording, and preparing deposits.
- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board (or Finance Committee, if applicable)

- 2. We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Reported whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Reported whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, reported whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, reported whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Bank Reconciliations

3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, we selected all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and reported whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Collections

5. We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, we selected all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and reported whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and reported whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and reported whether the deposits were made within one day of collection. If deposits were not made within one day of collection, reported the number of days from receipt to deposit for each day at each collection location.

- Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections are completely supported by documentation and report any exceptions.
7. We obtained existing written documentation (e.g. policy manual, written procedure) and reported whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

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

8. We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We obtained management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, we randomly selected 25 disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and reported any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and reported whether the persons with signatory authority have system access to print checks.

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

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

14. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
15. Using the listing prepared by management, we randomly selected 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

- a) We reported whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) We reported whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, we obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, we reported whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and reported any exceptions.
 - c) For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

Travel and Expense Reimbursement

17. We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing or general ledger is complete.
18. We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and reported any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) We compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, we compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.
 - b) We reported whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
 - c) We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse).
 - d) We reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for contract payments. We obtained management's representation that the listing or general ledger is complete.

21. Using the listing above, we selected the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:
- a) We reported whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) We compared each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, we obtained/compared supporting contract documentation to legal requirements and reported whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, we obtained supporting contract documentation and reported whether the entity solicited quotes as a best practice.
 - c) We reported whether the contract was amended. If so, we reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) We obtained/reviewed contract documentation and board minutes and reported whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Payroll and Personnel

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management’s representation that the listing is complete. Randomly select five employees/officials, obtained their personnel files, and:
- a) Reviewed compensation paid to each employee during the fiscal period and reported whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and reported whether those changes were approved in writing and in accordance with written policy.
23. We obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected 25 employees/officials (or randomly selected one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

- b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Reported whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We reported whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management and reported whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. We reported whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, we obtained supporting documentation from the entity, and reported whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, we obtained supporting documentation from the entity and reported whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, we obtained supporting documentation and reported whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, we reported any millages that continue to be received for debt that has been paid off.

Other

31. We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and reported whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. We observed and reported whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If we observed or otherwise identified any exceptions regarding management's representations in the procedures above, we reported the nature of each exception.

Findings:

No exceptions were found as a result of applying the procedures listed above except:

Written Policies:

The Village of Hessmer does not have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, contracting, credit cards, travel and expense reimbursement, ethics or debt service. Additionally, written policies and procedures over payroll do not address payroll processing or overtime worked.

Board:

The minutes did not reference or include monthly budget-to-actual comparisons for the General Fund or Sales Tax Fund.

Bank Reconciliations:

The bank reconciliations do not include evidence of management or board review.

The bank reconciliations do not have documentation reflecting that reconciling items that have been outstanding for more than 6 months as of the end of the fiscal year have been researched.

Collections:

The person responsible for collecting cash is also responsible for depositing cash in the bank.

The Village does not have a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source, by a person who is not responsible for cash collections.

2 collections were deposited 2 days after receipt.

The number of days from collection to deposit for five cash collections tested could not be determined, due to there being no indication of the date the collection was received by the Village.

The Village does not have a written process to determine the completeness of all collections by a person not responsible for collections.

Disbursements:

The Village has not adopted a purchase order/requisition system that separates initiation from approval functions.

The Village does not have written documentation indicating that the person responsible for processing payments is prohibited from adding vendors to the disbursement system.

The Village does not have written documentation indicating that the individual with signatory authority has no responsibility for initiating or recording purchases.

Although the signature stamp is kept secure, persons with access to unused checks have access to the signature stamp as well.

Credit Cards:

The credit card statement and all supporting documentation was not approved by someone other than the cardholder.

The Village was assessed finance charges and/or late fees on 1 of the cards tested.

The Village has not adopted a written credit card policy.

Travel and Expense Reimbursement:

The Village has not adopted a written travel and expense reimbursement policy.

Payroll and personnel:

The Village was unable to provide employment contracts or pay structures for the employees selected for testing.

Written documentation does not exist noting supervisor approval of attendance or sick leave.

Ethics:

The Village did not maintain ethics compliance documentation for four of the five employees/officials selected for testing.

Debt Service:

The Village did not maintain debt reserves as required by debt covenants.

Other:

The Village did not post on its website the notice required by R.S. 24:523.1

Management's Response:

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

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
February 16, 2018