

VILLAGE OF HESSMER, LOUISIANA

Financial Report

Year Ended August 31, 2013

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INDEPENDENT AUDITORS' 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, as of and for the year ended August 31, 2013, 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.

Auditors' 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 auditors' 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, 2013, 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.

Emphasis of Matter

As described in Note 20 to the financial statements, the Village of Hessmer, Louisiana adopted the provision of GASB Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2013.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Village of Hessmer has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America requires to 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 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 supplementary information on pages 43 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The other 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 a report dated January 24, 2014, on our consideration of the Village of Hessmer, Louisiana's internal control over financial reporting and 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, Champagne, Slaven & Company, LLC
Certified Public Accountants

Marksville, Louisiana
January 24, 2014

BASIC FINANCIAL STATEMENTS

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

VILLAGE OF HESSMER, LOUISIANA

Statement of Net Position
August 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Demand deposits	\$ 142,302	\$ 91,156	\$ 233,458
Time deposits	14,061	21,758	35,819
Receivables, net	11,263	47,330	58,593
Inventory	-	19,322	19,322
Prepaid items	1,775	73	1,848
Total current assets	<u>169,401</u>	<u>179,639</u>	<u>349,040</u>
Noncurrent assets:			
Restricted assets:			
Demand deposits	24,465	123,685	148,150
Time deposits	-	66,574	66,574
Accrued interest	-	421	421
Capital assets -			
Non depreciable capital assets	7,000	-	7,000
Depreciable capital assets, net	233,696	2,936,015	3,169,711
Total noncurrent assets	<u>265,161</u>	<u>3,126,695</u>	<u>3,391,856</u>
Total assets	<u>434,562</u>	<u>3,306,334</u>	<u>3,740,896</u>
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities:			
Accounts and other payables	1,002	29,773	30,775
Bonds payable	-	22,176	22,176
Accrued interest	-	35,311	35,311
Total current liabilities	<u>1,002</u>	<u>87,260</u>	<u>88,262</u>
Noncurrent liabilities:			
Customers deposits payable	-	42,698	42,698
Bonds payable, net	-	915,877	915,877
Total noncurrent liabilities	<u>-</u>	<u>958,575</u>	<u>958,575</u>
Total liabilities	<u>1,002</u>	<u>1,045,835</u>	<u>1,046,837</u>
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	240,696	2,020,138	2,260,834
Restricted net position	24,465	90,495	114,960
Unrestricted net position	168,399	149,866	318,265
Total net position	<u>\$ 433,560</u>	<u>\$ 2,260,499</u>	<u>\$ 2,694,059</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, 2013

Activities	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Net (Expense) Revenue and Change in Net Position		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 75,431	\$ -	\$ -	\$ -	\$ (75,431)	\$ -	\$ (75,431)
Public safety:							
Police	195,219	68,972	12,000	23,317	(90,930)	-	(90,930)
Fire	43,875	-	14,792	-	(29,083)	-	(29,083)
Recreation	24,530	-	8,004	-	(16,526)	-	(16,526)
Drainage	8,414	-	-	-	(8,414)	-	(8,414)
Public works	17,000	-	-	-	(17,000)	-	(17,000)
Streets and sidewalks	35,859	-	2,900	-	(32,959)	-	(32,959)
Total governmental activities	<u>400,328</u>	<u>68,972</u>	<u>37,696</u>	<u>23,317</u>	<u>(270,343)</u>	<u>-</u>	<u>(270,343)</u>
Business-type activities:							
Water	386,585	344,129	-	3,890	-	(38,566)	(38,566)
Sewer	142,337	48,422	-	-	-	(93,915)	(93,915)
Total business-type activities	<u>528,922</u>	<u>392,551</u>	<u>-</u>	<u>3,890</u>	<u>-</u>	<u>(132,481)</u>	<u>(132,481)</u>
Total	<u>\$ 929,250</u>	<u>\$ 461,523</u>	<u>\$ 37,696</u>	<u>\$ 27,207</u>	<u>\$ (270,343)</u>	<u>\$ (132,481)</u>	<u>\$ (402,824)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					20,880	-	20,880
Sales and use taxes, levied for specific purposes					83,152	-	83,152
Franchise taxes					77,290	-	77,290
Licenses and permits -							
Occupational licenses					38,146	-	38,146
Grants and contributions not restricted to specific programs -							
State sources					2,371	-	2,371
Interest and investment earnings					1,298	439	1,737
Miscellaneous					30,066	-	30,066
Transfers					3,663	(3,663)	-
Total general revenues and transfers					<u>256,866</u>	<u>(3,224)</u>	<u>253,642</u>
Change in net position					(13,477)	(135,705)	(149,182)
Net assets - September 1, 2012					<u>447,037</u>	<u>2,396,204</u>	<u>2,843,241</u>
Net assets - August 31, 2013					<u>\$ 433,560</u>	<u>\$ 2,260,499</u>	<u>\$ 2,694,059</u>

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund

To account for the receipt and use of proceeds of the Village's 1% sales and use tax. These taxes are dedicated to the following purposes: repair and maintain public streets, repair, maintain, and operate the waterworks and sewerage system, repair and maintain drainage improvements, capital improvements, and support of the general fund.

Debt Service Fund

Sewer System Improvement Bonds 1974

To accumulate monies for payment of the 1974 \$30,000 Sewer System Improvement Bonds, which are serial bonds due in annual installments, plus interest, through 2014. Debt Service is financed by ad valorem taxes. Debt Service Fund was closed into the General Fund at August 31, 2013.

Enterprise Funds

Water Utility Fund

To account for the provision of water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billings and collections.

Sewer Utility Fund

To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, billings and collections.

VILLAGE OF HESSMER, LOUISIANA

Balance Sheet
 Governmental Funds
 August 31, 2013

	General	Special Revenue	Totals
ASSETS			
Demand deposits	\$ 36,246	\$ 130,521	\$ 166,767
Time deposits	14,061	-	14,061
Receivables:			
Taxes	2,768	7,195	9,963
Other	1,300	-	1,300
Prepaid items	1,775	-	1,775
Total assets	<u>\$ 56,150</u>	<u>\$ 137,716</u>	<u>\$ 193,866</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and other payables	\$ 1,002	-	\$ 1,002
 Fund balances -			
Nonspendable	1,775	-	1,775
Restricted	24,465	137,716	162,181
Unassigned	28,908	-	28,908
Total fund balances	<u>55,148</u>	<u>137,716</u>	<u>192,864</u>
Total liabilities and fund balances	<u>\$ 56,150</u>	<u>\$ 137,716</u>	<u>\$ 193,866</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, 2013

Total fund balances for governmental funds at August 31, 2013		\$192,864
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 7,000	
Buildings and improvements, net of \$137,007 accumulated depreciation	112,311	
Equipment, furniture, and fixtures net of \$73,764 accumulated depreciation	34,209	
Infrastructure, net of \$49,243 accumulated depreciation	<u>87,176</u>	<u>240,696</u>
Total net position of governmental activities at August 31, 2013		<u>\$433,560</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, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 98,170	\$ 83,152	\$ -	\$181,322
Licenses and permits	38,146	-	-	38,146
Intergovernmental	40,067	-	-	40,067
Fines and forfeits	68,972	-	-	68,972
Miscellaneous	53,403	1,278	-	54,681
Total revenues	<u>298,758</u>	<u>84,430</u>	<u>-</u>	<u>383,188</u>
Expenditures:				
Current -				
General government	69,113	3,650	-	72,763
Public safety:				
Police	173,148	-	-	173,148
Fire	43,875	-	-	43,875
Recreation	6,448	-	-	6,448
Drainage	-	8,414	-	8,414
Public works	-	17,000	-	17,000
Streets and sidewalks	14,094	18,771	-	32,865
Capital outlay	<u>28,518</u>	<u>15,463</u>	<u>-</u>	<u>43,981</u>
Total expenditures	<u>335,196</u>	<u>63,298</u>	<u>-</u>	<u>398,494</u>
Excess (deficiency) of revenues over expenditures	<u>(36,438)</u>	<u>21,132</u>	<u>-</u>	<u>(15,306)</u>
Other financing sources (uses):				
Transfers in	89,029	-	-	89,029
Transfers out	<u>(8,977)</u>	<u>(54,855)</u>	<u>(21,534)</u>	<u>(85,366)</u>
Total other financing sources (uses)	<u>80,052</u>	<u>(54,855)</u>	<u>(21,534)</u>	<u>3,663</u>
Net changes in fund balances	43,614	(33,723)	(21,534)	(11,643)
Fund balances, beginning	<u>11,534</u>	<u>171,439</u>	<u>21,534</u>	<u>204,507</u>
Fund balances, ending	<u>\$ 55,148</u>	<u>\$137,716</u>	<u>\$ -</u>	<u>\$192,864</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, 2013

Total net changes in fund balances for the year ended August 31, 2013 per
Statement of Revenues, Expenditures and Changes in Fund Balances \$ (11,643)

The change in net position reported for governmental activities in the
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 43,981	
Depreciation expense for the year ended August 31, 2013	<u>(45,815)</u>	<u>(1,834)</u>

Total changes in net position at August 31, 2013 per Statement of Activities \$ (13,477)

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

VILLAGE OF HESSMER, LOUISIANA

Combining Statement of Net Position
 Proprietary Funds
 August 31, 2013

	Water Utility	Sewer Utility	Totals
ASSETS			
Current assets:			
Demand deposits	\$ 78,594	\$ 12,562	\$ 91,156
Time deposits	11,758	10,000	21,758
Receivables:			
Accounts	40,868	6,292	47,160
Accrued interest	170	-	170
Inventory	18,596	726	19,322
Prepaid items	-	73	73
Total current assets	<u>149,986</u>	<u>29,653</u>	<u>179,639</u>
DEFERRED OUTFLOWS OF RESOURCES			
Noncurrent assets:			
Restricted assets -			
Demand deposits	47,314	76,371	123,685
Time deposits	37,500	29,074	66,574
Accrued interest	289	132	421
Capital assets -			
Depreciable capital assets, net	<u>2,251,303</u>	<u>684,712</u>	<u>2,936,015</u>
Total noncurrent assets	<u>2,336,406</u>	<u>790,289</u>	<u>3,126,695</u>
Total assets	<u>2,486,392</u>	<u>819,942</u>	<u>3,306,334</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,773	-	4,773
Other payables	17,500	7,500	25,000
Payable from restricted assets -			
Revenue bonds	11,176	11,000	22,176
Accrued interest payable	<u>34,579</u>	<u>732</u>	<u>35,311</u>
Total current liabilities	<u>68,028</u>	<u>19,232</u>	<u>87,260</u>
Noncurrent liabilities:			
Customers' deposits	36,315	6,383	42,698
Revenue bonds payable, net	<u>915,877</u>	<u>-</u>	<u>915,877</u>
Total noncurrent liabilities	<u>952,192</u>	<u>6,383</u>	<u>958,575</u>
Total liabilities	<u>1,020,220</u>	<u>25,615</u>	<u>1,045,835</u>
DEFERRED INFLOWS OF RESOURCES			
NET POSITION			
Net investment in capital assets	1,335,426	684,712	2,020,138
Restricted net position	3,033	87,462	90,495
Unrestricted net position	<u>127,713</u>	<u>22,153</u>	<u>149,866</u>
Total net position	<u>\$ 1,466,172</u>	<u>\$ 794,327</u>	<u>\$ 2,260,499</u>

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

VILLAGE OF HESSMER, LOUISIANA

Combining Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Funds
For the Year Ended August 31, 2013

	Water Utility	Sewer Utility	Total
Operating revenues:			
Charges for services -			
Water service charges	\$ 335,386	\$ -	\$ 335,386
Sewer service charges	-	48,422	48,422
Installation and other charges	8,743	-	8,743
Total operating revenues	<u>344,129</u>	<u>48,422</u>	<u>392,551</u>
Operating expenses:			
Salaries	49,355	14,500	63,855
Payroll taxes	3,776	1,109	4,885
Depreciation expense	133,263	70,030	203,293
Maintenance and repairs	31,725	16,522	48,247
Supplies	7,636	169	7,805
Legal & professional	23,115	3,367	26,482
Insurance	10,963	7,772	18,735
Fuel & oil	5,049	-	5,049
Chemicals & supplies	32,736	6,441	39,177
Utilities and telephone	16,433	14,610	31,043
Laboratory testing	1,408	6,365	7,773
Other	30,117	981	31,098
Total operating expenses	<u>345,576</u>	<u>141,866</u>	<u>487,442</u>
Operating loss	<u>(1,447)</u>	<u>(93,444)</u>	<u>(94,891)</u>
Nonoperating revenues (expenses):			
Interest income	226	213	439
State grants	3,890	-	3,890
Other income	-	263	263
Interest expense	(41,009)	(734)	(41,743)
Total nonoperating revenues (expenses)	<u>(36,893)</u>	<u>(258)</u>	<u>(37,151)</u>
Loss before transfers	<u>(38,340)</u>	<u>(93,702)</u>	<u>(132,042)</u>
Transfers in (out):			
Transfer in	7,003	33,579	40,582
Transfer out	(44,245)	-	(44,245)
Total transfers in (out)	<u>(37,242)</u>	<u>33,579</u>	<u>(3,663)</u>
Change in net position	(75,582)	(60,123)	(135,705)
Net position, beginning	<u>1,541,754</u>	<u>854,450</u>	<u>2,396,204</u>
Net position, ending	<u>\$ 1,466,172</u>	<u>\$ 794,327</u>	<u>\$ 2,260,499</u>

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

VILLAGE OF HESSMER, LOUISIANA

Combining Statement of Cash Flows
 Proprietary Funds
 For the Year Ended August 31, 2013

	Water Utility	Sewer Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 333,237	\$ 48,690	\$ 381,927
Payments to suppliers	(193,190)	(58,262)	(251,452)
Payments to employees	(53,131)	(15,609)	(68,740)
Other receipts	8,743	-	8,743
Net cash provided (used) by operating activities	<u>95,659</u>	<u>(25,181)</u>	<u>70,478</u>
Cash flows from noncapital financing activities:			
Miscellaneous expense	(17,500)	(7,237)	(24,737)
Transfers from other funds	7,003	33,579	40,582
Transfers to other funds	(44,245)	-	(44,245)
Net increase in meter deposits	1,558	170	1,728
Net cash provided (used) by noncapital financing activities	<u>(53,184)</u>	<u>26,512</u>	<u>(26,672)</u>
Cash flows from capital and related financing activities:			
Interest and fiscal charges paid on revenue bonds	(41,394)	(1,100)	(42,494)
Principal paid on bonds	(10,683)	(11,000)	(21,683)
Proceeds from grant	3,890	-	3,890
Net cash used by capital and related financing activities	<u>(48,187)</u>	<u>(12,100)</u>	<u>(60,287)</u>
Cash flows from investing activities:			
Net increase in investments	(116)	(137)	(253)
Interest received on interest-bearing deposits	226	213	439
Net cash provided by investing activities	<u>110</u>	<u>76</u>	<u>186</u>
Net decrease in cash and cash equivalents	(5,602)	(10,693)	(16,295)
Cash and cash equivalents, beginning of period	<u>131,510</u>	<u>99,626</u>	<u>231,136</u>
Cash and cash equivalents, end of period	<u>\$ 125,908</u>	<u>\$ 88,933</u>	<u>\$ 214,841</u>

(Continued)

VILLAGE OF HESSMER, LOUISIANA

Combining Statement of Cash Flows
 Proprietary Funds (continued)
 For the Year Ended August 31, 2013

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,447)	\$ (93,444)	\$ (94,891)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	133,263	70,030	203,293
Changes in current assets and liabilities:			
(Increase) decrease in accounts receivable	(2,149)	268	(1,881)
Decrease in inventory	3,688	170	3,858
Increase in accounts payable	<u>(37,696)</u>	<u>(2,205)</u>	<u>(39,901)</u>
Net cash provided (used) by operating activities	<u>\$ 95,659</u>	<u>\$ (25,181)</u>	<u>\$ 70,478</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	\$ 93,381	\$ 18,853	\$ 112,234
Time deposits - unrestricted	11,642	10,000	21,642
Demand deposits - restricted	38,129	80,773	118,902
Time deposits - restricted	37,500	28,937	66,437
Less: Time deposits with maturity in excess of 90 days	<u>(49,142)</u>	<u>(38,937)</u>	<u>(88,079)</u>
Total cash and cash equivalents, beginning of period	<u>131,510</u>	<u>99,626</u>	<u>231,136</u>
Cash and cash equivalents, end of period -			
Demand deposits - unrestricted	78,594	12,562	91,156
Time deposits - unrestricted	11,758	10,000	21,758
Demand deposits - restricted	47,314	76,371	123,685
Time deposits - restricted	37,500	29,074	66,574
Less: Time deposits with maturity in excess of 90 days	<u>(49,258)</u>	<u>(39,074)</u>	<u>(88,332)</u>
Total cash and cash equivalents, end of period	<u>125,908</u>	<u>88,933</u>	<u>214,841</u>
Net decrease	<u>\$ (5,602)</u>	<u>\$ (10,693)</u>	<u>\$ (16,295)</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 accounting and reporting policies of the Village of Hessmer (hereinafter, "the 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. 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 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

This report includes all funds and account groups which are controlled by or dependent on the Village executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Village is determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, the volunteer fire department, as a governmental organization, is not part of the Village and is thus excluded from the accompanying financial statements. This organization is staffed by volunteers and although the Village does provide some of its financing, no control is exercised over its operations. These financial statements include only expenditures incurred directly by the Village for fire protection and does not include operating expenditures paid with self-generated funds of the volunteer fire department.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Village are classified into two categories: governmental and proprietary. The emphasis on the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Village are described below:

Governmental Funds -

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

Sales Tax Fund

The Special Revenue Fund accounts for the proceeds of a 1% sales and use tax that is legally restricted to expenditures for specific purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds –

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income, financial position, and cash flows.

Enterprise Funds

Enterprise Funds are used to 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 Water System Fund and the Sewer System Fund comprise the Village's Enterprise Funds.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statements of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Demand deposits and time deposits

For purposes of the Statement of Net Position, demand deposits and time deposits include all demand accounts, savings accounts and certificates of deposits of the Village.

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

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased and are valued at cost. Inventories are adjusted at year-end. The first in first out method of inventory valuation is used.

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 (non-current portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

Receivables

In the government-wide statements, 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. 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.

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 assets. 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:

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>Gas and Water System</u>	<u>Sewer System</u>
Lines and other system installations	10 - 50 years	10 - 50 years
Vehicles and movable equipment	5 - 25 years	5 - 25 years
Buildings	10 - 60 years	10 - 60 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.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the general fund and proprietary funds that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits in proprietary funds and excess payments of ad valorem taxes in the general fund.

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, general obligation bonds payable, and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Change in Fund Reporting

Effective August 31, 2013, the debt service fund was closed into the General Fund. The effect of this close was a \$21,534 transfer from the debt service fund.

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. Unused annual leave may not be carried forward from year to year until the employee has reached 20 years of full time employment.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

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. The current policy is silent in regards to paying unused sick leave upon termination or resignation. In the past, the Village has not paid employees for unused sick time.

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows or resources and deferred inflows of resources result from the delayed recognition of expenditures of revenues, respectively.

Equity Classifications

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferring inflows or resources related to those assets. Constraints may be placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.
- c. Unrestricted net position – Net amounts of the assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in either of the two categories of net position.

Proprietary fund equity is classified the same as in the government-wide statements. In the fund financial statements, governmental fund equity is classified follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned – all other spendable amounts.

As of August 31, 2013 fund balances are composed of the following:

	General Fund	Sales Tax Fund
	<u> </u>	<u> </u>
Nonspendable:		
Prepaid items	\$ 1,775	\$ -
Restricted:		
Other purposes	24,465	137,716
Unassigned:	<u>28,908</u>	<u>-</u>
Total fund balances	<u>\$ 55,148</u>	<u>\$ 137,716</u>

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character
- Proprietary Funds - By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Village has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 3
Water and sewer revenue	Debt service and utility operations

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

G. Budget and Budgetary Accounting

The Village follows the following procedures in establishing the budget:

1. The Mayor meets with the Alderman 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 are prepared for the General Fund and Special Revenue Fund, and Debt Service Fund utilizing generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen. Such amendments were not material in relation to the original appropriation.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

H. Capitalization of Interest Expense

It is the policy of the Village of Hessmer to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. No interest was capitalized for the year ended August 31, 2013.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 2 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.

For the year ended August 31, 2013, taxes of 6.69 mills were levied on property with assessed valuations totaling \$3,121,076 and were dedicated to general corporate purposes.

Total taxes levied were \$20,880. Ad valorem taxes receivable at August 31, 2013 was \$111, which was current.

(3) Dedication of Proceeds and Flow of Funds – 1% Sales and Use Tax

The proceeds of the 1% sales tax are dedicated to the following purposes: 30% to repair and maintain public streets in the Village, 15% to repair, maintain, and operate the Village's waterworks and sewerage system, 20% to repair and maintain drainage improvements in the Village, 20% for capital improvements for the Village, and 15% to support the Village's general fund. Collections for the year ended August 31, 2013 were \$83,152, which includes a receivable of \$7,195.

(4) 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 certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At August 31, 2013, the Village had cash and interest-bearing deposits (book balances) totaling \$484,001 as follows:

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

Demand Deposits	\$381,608
Time Deposits	<u>102,393</u>
Total	<u>\$484,001</u>

These deposits are stated at cost, which approximates market. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Village's deposits may not be recovered or the Village will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a policy for custodial credit risk, however, under state law, these 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. Deposit balances (bank balances) at August 31, 2013 were secured as follows:

Bank balances	<u>\$ 510,582</u>
Federal deposit insurance	<u>\$ 510,582</u>

As of August 31, 2013, the Village's total bank balances were fully insured by Federal deposit insurance and not exposed to custodial credit risk.

(5) Accounts Receivable and Allowance for Doubtful Accounts

Receivables at August 31, 2013 of \$58,593 consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Utility</u>	<u>Total</u>
Ad valorem tax	\$ 111	\$ -	\$ -	\$ 111
Sales tax	-	7,195	-	7,195
Accounts -				
Utility billings	-	-	47,160	47,160
Other receivables	3,957	-	-	3,957
Interest	-	-	170	170
Totals	<u>\$ 4,068</u>	<u>\$ 7,195</u>	<u>\$ 47,330</u>	<u>\$ 58,593</u>

The Village considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

(6) Restricted Assets

Restricted assets consisted of the following at August 31, 2013:

	<u>General Fund</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Customer Deposit Fund	\$ -	\$ 44,742	\$ 7,323	\$ 52,065
Sinking Fund	-	4,489	8,208	12,697
Revenue Bond Reserve Fund	-	12,157	42,455	54,612
Short Lived Asset Fund	-	11,269	-	11,269
State Sewer Grant Fund	-	-	29,074	29,074
Depreciation and Contingency Fund	-	12,157	18,385	30,542
Excess Ad Valorem Payments	24,465	-	-	24,465
Accrued interest	-	289	132	421
	<u>\$ 24,465</u>	<u>\$ 85,103</u>	<u>\$ 105,577</u>	<u>\$ 215,145</u>

(7) Capital Assets

Capital asset activity for the year ended August 31, 2013 was as follows:

	<u>Balance 09/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 08/31/13</u>
Governmental activities:				
Capital assets not being depreciated -				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Other capital assets -				
Buildings	232,355	16,963	-	249,318
Equipment, furniture and fixtures	80,955	27,018	-	107,973
Infrastructure	136,419	-	-	136,419
Total capital assets	<u>456,729</u>	<u>43,981</u>	<u>-</u>	<u>500,710</u>
Less accumulated depreciation -				
Buildings	122,507	14,500	-	137,007
Equipment, furniture and fixtures	49,749	24,015	-	73,764
Infrastructure	41,943	7,300	-	49,243
Total accumulated depreciation	<u>214,199</u>	<u>45,815</u>	<u>-</u>	<u>260,014</u>
Governmental activities, capital assets, net	<u>\$ 242,530</u>	<u>\$ (1,834)</u>	<u>\$ -</u>	<u>\$ 240,696</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

	Balance 09/01/12	Additions	Deletions	Balance 08/31/13
Business-type activities:				
Other capital assets -				
Water system	\$ 3,624,555	\$ -	\$ -	\$ 3,624,555
Sewer system	1,739,329	-	-	1,739,329
Totals	<u>5,363,884</u>	<u>-</u>	<u>-</u>	<u>5,363,884</u>
Less accumulated depreciation -				
Water system	1,239,989	133,263	-	1,373,252
Sewer system	984,587	70,030	-	1,054,617
Total accumulated depreciation	<u>2,224,576</u>	<u>203,293</u>	<u>-</u>	<u>2,427,869</u>
Business-type activities, capital assets, net	<u>\$ 3,139,308</u>	<u>\$ (203,293)</u>	<u>\$ -</u>	<u>\$ 2,936,015</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 2,668
Police	22,071
Streets & sidewalks	18,082
Recreation	2,994
Total depreciation expense	<u>\$ 45,815</u>

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

Water	\$ 133,263
Sewer	70,030
Total depreciation expense	<u>\$ 203,293</u>

(8) Accounts and Other Payables

The accounts and other payables of \$30,775 consisted of the following at August 31, 2013:

	Governmental Activities	Business-type Activities	Total
Accounts	\$ 1,002	\$ 4,773	\$ 5,775
Other liabilities - litigation	-	25,000	25,000
Totals	<u>\$ 1,002</u>	<u>\$ 29,773</u>	<u>\$ 30,775</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended August 31, 2013:

Business-type Activities

	Balance 09/01/12	Additions	Deletions	Balance 08/31/13
Sewer Revenue Bond	\$ 22,000	\$ -	\$ 11,000	\$ 11,000
Water Revenue Bond	951,175	-	11,056	940,119
Water Revenue Bond Amortization	(13,439)	-	(373)	(13,066)
Total	<u>\$ 959,736</u>	<u>\$ -</u>	<u>\$ 21,683</u>	<u>\$ 938,053</u>

	Balance 8/31/13	Due Within One Year
Revenue Bond and Note Payable:		
\$188,000 of 1974 Sewer Revenue serial bonds dated September 16, 1974, due in annual installments of \$8,000 to \$11,000 through January 1, 2014; interest at 5 percent; secured sewer system revenues.	11,000	11,000
\$980,000 of 2008 Water Revenue serial bonds dated October 28, 2008, due in monthly installments of \$5,824 to \$50,976 through October 28, 2048; interest at 4.38 percent; secured with water system revenues.	<u>940,119</u>	<u>11,549</u>
Total Revenue Bond and Note Payable	951,119	22,549
\$14,931 of deferred bond issue costs incurred with the \$980,000 Water Revenue serial bonds dated October 28, 2008, and amortized over 40 years until the bond matures in October 28, 2048.	<u>(13,066)</u>	<u>(373)</u>
Net Revenue Bond and Note Payable	<u>\$ 938,053</u>	<u>\$ 22,176</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

Year Ending June 30	Business-type Activities		
	Revenue Bonds		
	Principal Payments (Net)	Interest Payments	Total
2014	22,176	41,450	63,626
2015	11,692	40,385	52,077
2016	12,230	39,846	52,076
2017	12,793	39,284	52,077
2018-2022	73,322	187,061	260,383
2023-2027	91,668	168,713	260,381
2028-2032	114,494	145,589	260,083
2033-2037	142,889	117,495	260,384
2038-2042	178,212	82,114	260,326
2043-2047	222,155	38,550	260,705
2047-2049	56,422	1,530	57,952
	<u>\$ 938,053</u>	<u>\$ 902,017</u>	<u>\$ 1,840,070</u>

On October 31, 2007 the Village adopted a resolution for the issuance of a \$980,000 bond anticipation note. This bond anticipation note was issued as part of a long-term financing program where the note is issued and then ultimately refinanced with long term debt. The Village issued a Water Revenue Bond, Series 2008 on October 28, 2008 bearing interest at the rate of 4 3/8% per annum. The bond is payable over a 40 year period with the maturity date of October 28, 2048.

(10) Flow of Funds: Restrictions on Use – Sewer Revenues

The revenues of the sewer system are partially pledged to retire the sewer revenue bonds dated September 16, 1974.

The bond resolution of the 1974 Issue of Bonds requires the establishment and maintenance of the following bank accounts:

- Sewer Revenue Bond and Interest Sinking Fund
- Sewer Reserve Fund
- Sewer Depreciation Fund

The Sewer Fund is to transfer to the Sewer Revenue Bond and Interest Sinking Fund on a monthly basis, a sum not less than one-twelfth (1/12th) of the amount of the principal which will become due on the next following payment date and not less than one-sixth (1/6th) of the amount of the interest due on the next following payment date. In addition to these transfers the Sewer Fund is to transfer to the Sewer Reserve Fund five percent (5%) of the amount to be paid to the Sinking Fund until a total of \$12,650 is accumulated therein. In addition, the Sewer Fund is to transfer \$40 per month into the Sewer Depreciation Fund.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

For the year ended August 31, 2013, all required transfers were not made in accordance with requirements. However, there was sufficient cash in the bank to make scheduled payments.

(11) 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 annually for the period of November 2008 through October 2009 and a sum of \$4,371 annually 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, 2013, all required transfers were adequate.

(12) Retirement Commitments

As of August 31, 2013 all employees of the Village were members of the Social Security System. Social Security paid during the fiscal year ended August 31, 2013 was \$12,279 on qualified payroll of \$216,278.

(13) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. There were no encumbrances outstanding at year-end.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

(14) Commitments and Contingencies

In accordance with a recent settlement 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.

(15) Segment Information for the Enterprise Fund

The Village of Hessmer maintains two enterprise funds which provide water and sewerage services. Segment information for the year ended August 31, 2013, was as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 344,129	\$ 48,422	\$ 392,551
Operating expenses:			
Depreciation	133,263	70,030	203,293
Other	<u>212,313</u>	<u>71,836</u>	<u>284,149</u>
Total operating expenses	<u>345,576</u>	<u>141,866</u>	<u>487,442</u>
Operating income (loss)	<u>\$ (1,447)</u>	<u>\$ (93,444)</u>	<u>\$ (94,891)</u>

(16) Compensation Paid to Board Members

The Village paid the Mayor the following salary and the aldermen the following per diem:

<u>Elected Official</u>	<u>Office</u>	<u>Term</u>	<u>Amount Paid</u>	<u>Term Expiration</u>
Travis Franks	Mayor	4 years	\$ 4,400	December 31, 2016
Keith Armand	Alderman	4 years	400	December 31, 2016
Donald Bernard	Alderman	4 years	400	December 31, 2016
Robert P. Roy	Alderman	4 years	400	December 31, 2016
Lynn Bordelon	Mayor (prior)	4 years	2,200	December 31, 2012
Robert P. Roy	Alderman (prior)	4 years	200	December 31, 2012
Susan Jeansonne	Alderman (prior)	4 years	200	December 31, 2012
Scott Kelly	Alderman (prior)	4 years	<u>200</u>	December 31, 2012
			<u>\$ 8,400</u>	

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

(17) Risk Management

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

(18) Interfund Transactions

Transfers consisted of the following at August 31, 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 89,029	\$ 8,977
Sales Tax Fund	-	54,855
Debt Service Fund	-	21,534
Enterprise funds:		
Water Utility Fund	7,003	44,245
Sewer Utility Fund	<u>33,579</u>	<u>-</u>
Total	<u>\$ 129,611</u>	<u>\$ 129,611</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.

(19) Subsequent Events Review

The Village has evaluated subsequent events through January 24, 2014, the date which the financial statements were available to be issued.

(20) New Accounting Pronouncements

During the fiscal year ended August 31, 2013, the Village adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements (Continued)

In April 2012, the Government Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities. The statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB No. 65 must be implemented by the Village for the year ending August 31, 2014. The effect of the implementation on the Village's financial statements has not been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2013

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 56,100	\$ 96,065	\$ 98,170	\$ 2,105
Licenses and permits	41,000	38,136	38,146	10
Intergovernmental	20,750	38,875	40,067	1,192
Fines and forfeits	50,000	67,982	68,972	990
Miscellaneous	38,450	54,404	53,403	(1,001)
Total revenues	<u>206,300</u>	<u>295,462</u>	<u>298,758</u>	<u>3,296</u>
Expenditures:				
General government:	50,950	70,068	69,113	955
Public safety:				
Police	143,325	167,930	173,148	(5,218)
Fire	37,225	45,897	43,875	2,022
Recreation	3,700	2,954	6,448	(3,494)
Streets and sidewalks	27,075	13,580	14,094	(514)
Capital outlay	-	26,042	28,518	(2,476)
Total expenditures	<u>262,275</u>	<u>326,471</u>	<u>335,196</u>	<u>(8,725)</u>
Deficiency of revenues over expenditures	<u>(55,975)</u>	<u>(31,009)</u>	<u>(36,438)</u>	<u>(5,429)</u>
Other financing sources (uses):				
Transfers from -				
Sales tax fund	24,000	50,175	47,654	(2,521)
Debt service fund	-	21,534	21,534	-
Water utility fund	48,000	20,077	19,841	(236)
Transfers to -				
Sewer utility fund	-	(8,977)	(8,977)	-
Total other financing sources	<u>72,000</u>	<u>82,809</u>	<u>80,052</u>	<u>(2,757)</u>
Net change in fund balance	16,025	51,800	43,614	(8,186)
Fund balance, beginning	<u>11,534</u>	<u>11,534</u>	<u>11,534</u>	<u>-</u>
Fund balance, ending	<u>\$ 27,559</u>	<u>\$ 63,334</u>	<u>\$ 55,148</u>	<u>\$ (8,186)</u>

VILLAGE OF HESSMER, LOUISIANA
Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2013

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 81,400	\$ 82,672	\$ 83,152	\$ 480
Miscellaneous - interest	475	1,512	1,278	(234)
Total revenues	81,875	84,184	84,430	246
Expenditures:				
Capital improvements	11,000	15,463	15,463	-
Drainage	-	8,332	8,414	(82)
General government	34,750	3,615	3,650	(35)
Public Works	-	16,837	17,000	(163)
Streets and sidewalks	-	18,591	18,771	(180)
Total expenditures	45,750	62,838	63,298	(460)
Excess of revenues over expenditures	36,125	21,346	21,132	(214)
Other financing uses:				
Transfers out	(24,000)	(57,375)	(54,855)	2,520
Excess (deficiency) of revenues over expenditures and other financing uses	12,125	(36,029)	(33,723)	2,306
Fund balances, beginning	171,439	171,439	171,439	-
Fund balances, ending	\$ 183,564	\$ 135,410	\$ 137,716	\$ 2,306

VILLAGE OF HESSMER, LOUISIANA
Debt Service Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	(21,534)	(21,534)	(21,534)	-
Deficiency of revenues and other financing uses over expenditures	(21,534)	(21,534)	(21,534)	-
Fund balance, beginning	21,534	21,534	21,534	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

OTHER SUPPLEMENTARY INFORMATION

OTHER INFORMATION

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended August 31, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 19,600	\$ 20,880	\$ 20,880	-
Franchise -				
Electric	30,000	70,332	73,246	2,914
Gas	3,200	3,719	3,099	(620)
Cable TV	3,300	1,134	945	(189)
Total taxes	<u>56,100</u>	<u>96,065</u>	<u>98,170</u>	<u>2,105</u>
Licenses and permits:				
Occupational licenses	<u>41,000</u>	<u>38,136</u>	<u>38,146</u>	<u>10</u>
Intergovernmental:				
Department of Revenue and Taxation:				
Beer taxes	2,750	2,447	2,371	(76)
2% Fire insurance rebate	14,000	13,712	13,712	-
Avoyelles Parish Police Jury				
Rural fire	1,100	972	1,080	108
Department of Transportation:				
Grass cutting	2,900	1,740	2,900	1,160
Avoyelles Parish School Board				
Hessmer Gym	-	8,004	8,004	-
Louisiana Commission on Law Enforcement:				
Police department	-	12,000	12,000	-
Total intergovernmental	<u>20,750</u>	<u>38,875</u>	<u>40,067</u>	<u>1,192</u>
Fines and forfeits:				
Fines and court costs	<u>50,000</u>	<u>67,982</u>	<u>68,972</u>	<u>990</u>
Miscellaneous:				
Interest	225	23	20	(3)
Casino funds	27,000	15,468	16,149	681
Rental	9,725	9,396	10,530	1,134
Grant	-	23,317	23,317	-
Other sources	1,500	6,200	3,387	(2,813)
Total miscellaneous	<u>38,450</u>	<u>54,404</u>	<u>53,403</u>	<u>(1,001)</u>
Total revenues	<u>\$ 206,300</u>	<u>\$ 295,462</u>	<u>\$ 298,758</u>	<u>\$ 3,296</u>

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended August 31, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Administration:				
Salaries	\$ 26,050	\$ 33,401	\$ 34,207	\$ (806)
Per diem - Aldermen	1,800	1,800	1,800	-
Payroll taxes	2,000	2,864	2,765	99
Insurance	4,000	9,525	9,700	(175)
Printing	1,300	2,433	2,458	(25)
Office supplies and expenses	1,850	960	2,480	(1,520)
Dues & subscriptions	800	649	449	200
Legal and professional fees	5,000	7,516	6,262	1,254
Repairs & maintenance	50	127	180	(53)
Clerk's expenses	300	360	300	60
Coroner Fees	1,500	300	300	-
Travel & convention	2,500	2,500	467	2,033
Utilities & telephone	3,700	6,572	6,118	454
Miscellaneous	100	1,061	1,627	(566)
Total general government	<u>50,950</u>	<u>70,068</u>	<u>69,113</u>	<u>955</u>
Public safety -				
Police:				
Salaries	88,500	97,792	100,941	(3,149)
Payroll taxes	6,775	8,308	8,633	(325)
Supplemental Pay	-	12,000	12,000	-
Uniforms	500	240	200	40
Fuel & oil	14,500	16,709	16,147	562
Repairs & maintenance	2,000	2,937	2,117	820
Dues & subscriptions	250	-	510	(510)
Insurance	16,000	13,868	15,453	(1,585)
Supplies	2,000	1,252	1,997	(745)
Utilities & Telephone	6,200	5,194	5,475	(281)
Court costs	4,900	6,977	7,727	(750)
Prisoner expense	1,000	900	750	150
Miscellaneous	700	1,753	1,198	555
Total police	<u>143,325</u>	<u>167,930</u>	<u>173,148</u>	<u>(5,218)</u>

(Continued)

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (continued)
For the Year Ended August 31, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire:				
Salaries	15,000	18,781	16,952	1,829
Payroll taxes	1,150	1,438	1,297	141
Insurance	10,000	13,553	13,212	341
Supplies	2,150	4,032	4,194	(162)
Fuel & oil	3,000	3,283	3,357	(74)
Repairs & maintenance	1,150	522	435	87
Utilities & telephone	3,625	2,970	3,310	(340)
Miscellaneous	1,150	1,318	1,118	200
Total fire	<u>37,225</u>	<u>45,897</u>	<u>43,875</u>	<u>2,022</u>
Recreation -				
Youth / civic programs	1,650	2,308	3,088	(780)
Adopt-A-Flag program	300	360	300	60
Ball park utilities	1,750	286	3,060	(2,774)
Total recreation	<u>3,700</u>	<u>2,954</u>	<u>6,448</u>	<u>(3,494)</u>
Streets and sidewalks -				
Salaries	8,400	-	100	(100)
Payroll taxes	650	-	-	-
Repairs & maintenance	200	-	-	-
Fuel & oil	125	41	39	2
Supplies	275	-	24	(24)
Street lights and power	15,400	13,294	13,698	(404)
Insurance	900	-	-	-
Legal & professional	750	-	-	-
Utilities	275	211	220	(9)
Miscellaneous	100	34	-	34
Total streets and sidewalks	<u>27,075</u>	<u>13,580</u>	<u>14,094</u>	<u>(514)</u>
Capital outlay:				
General Government	-	26,042	28,518	(2,476)
Total expenditures	<u>\$262,275</u>	<u>\$326,471</u>	<u>\$335,196</u>	<u>\$ (8,725)</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
(Unaudited)
For the Years Ended August 31, 2013 and 2012

Records maintained by the Village indicated the following number of customers were being serviced during the month of August, 2013 and 2012:

<u>Department</u>	<u>2013</u>	<u>2012</u>
Water:		
Commercial	58	58
Residential	<u>985</u>	<u>975</u>
Total	<u>1,043</u>	<u>1,033</u>
Sewerage:		
Commercial	32	32
Residential	<u>251</u>	<u>252</u>
Total	<u>283</u>	<u>284</u>

VILLAGE OF HESSMER, LOUISIANA

Schedule of Insurance In Force
(Unaudited)

For the year Ended August 31, 2013

<u>Description of Coverage</u>	<u>Asset Covered</u>	<u>Amount of Coverage</u>	<u>Ins. Co.</u>	<u>Policy Number</u>	<u>Expiration Date</u>
Workmen's compensation	Employees	\$100,000 each employee	Risk Management	70-0105	1/1/14
Fire	Pump House & Pumps	\$72,714	Southern Insurance	RGP-1000130-01	5/1/14
	Storage Building	\$34,071	Southern Insurance	RGP-1000130-01	5/1/14
	City Hall / PD	\$210,101	Southern Insurance	RGP-1000130-01	5/1/14
	Police Department Substation	\$105,000	Southern Insurance	RGP-1000130-01	5/1/14
	Storage	\$21,578	Southern Insurance	RGP-1000130-01	5/1/14
	Sewer Treatment Plant	\$227,136	Southern Insurance	RGP-1000130-01	5/1/14
	Gym	\$300,000	Southern Insurance	RGP-1000130-01	5/1/14
	Water Tower, Wells, Motors & Tanks	\$759,737	Southern Insurance	RGP-1000130-01	5/1/14
	Metal Storage	\$109,200	Southern Insurance	RGP-1000130-01	5/1/14
	General Liability	N/A	\$1,000,000	Southern Insurance	RGP-1000130-01
Blanket Bond	Clerk	\$350	Ohio Casualty	3-419-983	11/17/13
Blanket Bond	Mayor	\$100	Ohio Casualty	3-425-531	12/16/13
Blanket Bond	Chief of Police	\$100	Ohio Casualty	5044384	12/14/13
General Liability	Fire Department	\$1,000,000 each occurrence	Special Risk	CM1052589-5	5/1/14

VILLAGE OF HESSMER, LOUISIANA

Schedule of Mayor and Aldermen
(Unaudited)
For the year Ended August 31, 2013

	<u>Term Expiration</u>
Mayor, Travis Franks Mayor P.O. Box 56 Hessmer, LA 71341 (318) 447-8888	12/31/2016
Donald Bernard Alderman P.O. Box 331 Hessmer, LA 71341 (318) 305-3010	12/31/2016
Keith Armand Alderman P.O. Box 398 Hessmer, LA 71341 (318) 359-6444	12/31/2016
Joshua Roy P.O. Box 469 Hessmer, LA 71341 (318) 305-0777	12/31/2016

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
For the Years Ended August 31, 2013 and 2012

	Totals		Water		Sewer	
	2013	2012	2013	2012	2013	2012
Operating revenues:						
Water sales	335,386	329,248	335,386	329,248	-	-
Sewerage sales	48,422	50,139	-	-	48,422	50,139
Installation and other charges	8,743	8,881	8,743	8,881	-	-
Total operating revenues	392,551	388,268	344,129	338,129	48,422	50,139
Operating expenses:						
Salaries and labor	63,855	58,614	49,355	44,114	14,500	14,500
Payroll taxes	4,885	3,311	3,776	2,492	1,109	819
Depreciation	203,293	195,705	133,263	125,239	70,030	70,466
Maintenance and repairs	48,247	31,144	31,725	25,332	16,522	5,812
Office supplies	7,805	6,131	7,636	6,084	169	47
Legal & professional	26,482	9,865	23,115	9,365	3,367	500
Insurance	18,735	41,653	10,963	22,834	7,772	18,819
Fuel & oil	5,049	4,278	5,049	4,278	-	-
Chemicals & supplies	39,177	40,272	32,736	33,938	6,441	6,334
Utilities and telephone	31,043	29,919	16,433	16,491	14,610	13,428
Laboratory testing	7,773	6,537	1,408	-	6,365	6,537
Other	31,098	22,444	30,117	20,059	981	2,385
Total operating expenses	487,442	449,873	345,576	310,226	141,866	139,647
Net operating income (loss)	\$ (94,891)	\$ (61,605)	\$ (1,447)	\$ 27,903	\$ (93,444)	\$ (89,508)

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Accounts Receivable Aging
(Unaudited)
For the Year Ended August 31, 2013

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

<u>Department</u>	<u>2013</u>
Water and Sewerage:	
Current	45,787
30 to 60 days	111
61 to 90 days	237
Over 90 days	<u>1,025</u>
Total	<u>47,160</u>

VILLAGE OF HESSMER, LOUISIANA
 Enterprise Fund
 Utility Fund

Utility Rate Schedule
 (Unaudited)

For the Year Ended August 31, 2013

Records maintained by the Village indicated utility rates as of August 31, 2013 as follows:

<u>Water and Sewerage Department</u>	<u>Rate per Gallon</u>	<u>Flat Rate</u>	<u>Minimum Charge</u>
Water in town - residential	\$2.35 per thousand gallons after 2,000 gallons		\$13.00 up to 2,000 gallons
Water out of town - residential	\$2.35 per thousand gallons after 2,000 gallons		\$18.50 up to 2,000 gallons
Water in town - commercial	\$3.80 per gallon		\$11.50 up to 2,000 gallons
Water out of town - commercial	\$3.80 per gallon		\$17.50 up to 2,000 gallons
Nursing home sprinkler	\$3.80 per gallon	\$ 13.40	
Twin Oaks mobile home	\$3.80 per gallon	\$ 47.50	
Voinche Trailer Park	\$3.80 per gallon	\$ 30.00	
Sewer residential	-	\$ 11.50	
Sewer commercial	-	\$ 18.50	

**COMPLIANCE
AND
INTERNAL CONTROL**

C Burton Kolder, CPA*
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INDEPENDENT AUDITORS' 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 (hereinafter, "the Village") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 24, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying summary schedule of current and prior year audit findings and corrective action plan, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as items 02-01 (IC) and 07-01(IC) 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Marksville, Louisiana
January 24, 2014

VILLAGE OF HESSMER, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan
Year Ended August 31 , 2013

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 (8/31/13)						
<u>Compliance</u>						
There were no instances of compliance that were required to be reported.						
<u>Internal Control:</u>						
02-01(IC)	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
07-01(IC)	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
PRIOR YEAR (8/31/12)						
<u>Compliance</u>						
<u>Internal Control:</u>						
02-01(IC)	Unknown	Due to the small number of administrative personnel, the Village did not have adequate segregation of accounting	No			
07-01(IC)	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			