

VILLAGE OF HESSMER, LOUISIANA

Financial Report

Year Ended August 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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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, 2018, 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, 2018, 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 20, 2019, 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 20, 2019

BASIC FINANCIAL STATEMENTS

**GOVERNMENT WIDE
FINANCIAL STATEMENTS (GWFS)**

VILLAGE OF HESSMER, LOUISIANA

Statement of Net Position
August 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest bearing deposits	\$ 210,677	\$ 204,405	\$ 415,082
Receivables, net	8,231	63,298	71,529
Internal balances	7,150	(7,150)	-
Inventories, at cost	-	33,614	33,614
Prepaid items	2,642	3,953	6,595
Restricted assets:			
Demand deposits	-	155,543	155,543
Capital assets:			
Non depreciable capital assets	57,000	-	57,000
Depreciable capital assets, net	248,949	2,410,812	2,659,761
Total assets	<u>534,649</u>	<u>2,864,475</u>	<u>3,399,124</u>
LIABILITIES			
Accounts payable	5,360	22,137	27,497
Accrued interest	-	31,735	31,735
Customers deposits payable	-	76,616	76,616
Long-term liabilities:			
Portion due within one year-			
Capital lease payable	13,536	8,604	22,140
Bonds payable	-	14,367	14,367
Portion due after one year-			
Capital lease payable	11,281	-	11,281
Bonds payable	-	862,614	862,614
Total liabilities	<u>30,177</u>	<u>1,016,073</u>	<u>1,046,250</u>
NET POSITION			
Net investment in capital assets	281,132	1,539,594	1,820,726
Restricted for:			
Sales tax dedications	205,917	-	205,917
Debt service	-	32,825	32,825
Unrestricted	17,423	275,983	293,406
Total net position	<u>\$ 504,472</u>	<u>\$ 1,848,402</u>	<u>\$ 2,352,874</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, 2018

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	\$ 89,381	\$ -	\$ -	\$ 1,450	\$ (87,931)	\$ -	\$ (87,931)
Public safety:							
Police	146,833	64,002	14,117	-	(68,714)	-	(68,714)
Fire	21,741	-	-	-	(21,741)	-	(21,741)
Recreation	21,477	-	-	-	(21,477)	-	(21,477)
Public Works	30,910	-	-	-	(30,910)	-	(30,910)
Total governmental activities	<u>310,342</u>	<u>64,002</u>	<u>14,117</u>	<u>1,450</u>	<u>(230,773)</u>	<u>-</u>	<u>(230,773)</u>
Business-type activities:							
Water	551,021	443,168	-	10,000	-	(97,853)	(97,853)
Sewer	134,663	63,792	-	-	-	(70,871)	(70,871)
Total business-type activities	<u>685,684</u>	<u>506,960</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(168,724)</u>	<u>(168,724)</u>
Total	<u>\$ 996,026</u>	<u>\$ 570,962</u>	<u>\$ 14,117</u>	<u>\$ 11,450</u>	<u>(230,773)</u>	<u>(168,724)</u>	<u>(399,497)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					24,495	-	24,495
Sales and use taxes, levied for specific purposes					94,739	-	94,739
Franchise taxes					34,105	-	34,105
Intergovernmental					19,096	-	19,096
Licenses and permits					39,247	-	39,247
Interest and investment earnings					1,315	782	2,097
Miscellaneous					34,365	-	34,365
Transfers					26,520	(26,520)	-
Total general revenues and transfers					<u>273,882</u>	<u>(25,738)</u>	<u>248,144</u>
Change in net position					43,109	(194,462)	(151,353)
Net position - beginning					461,363	2,042,864	2,504,227
Net position - ending					<u>\$ 504,472</u>	<u>\$1,848,402</u>	<u>\$ 2,352,874</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, 2018

ASSETS	<u>General</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash and interest bearing deposits	\$ 14,741	\$ 195,936	\$ 210,677
Receivables:			
Taxes	-	8,231	8,231
Due from other funds	5,400	1,750	7,150
Prepaid items	<u>2,642</u>	<u>-</u>	<u>2,642</u>
 Total assets	 <u>\$ 22,783</u>	 <u>\$ 205,917</u>	 <u>\$ 228,700</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 5,360</u>	<u>\$ -</u>	<u>\$ 5,360</u>
Fund balances:			
Nonspendable - prepaid items	2,642	-	2,642
Restricted	-	205,917	205,917
Unassigned	<u>14,781</u>	<u>-</u>	<u>14,781</u>
Total fund balances	<u>17,423</u>	<u>205,917</u>	<u>223,340</u>
 Total liabilities and fund balances	 <u>\$ 22,783</u>	 <u>\$ 205,917</u>	 <u>\$ 228,700</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, 2018

Total fund balances for governmental funds	\$223,340
Capital assets, net	305,949
Long-term liabilities:	
Capital lease payable	<u>(24,817)</u>
Net position of governmental activities at August 31, 2018	<u>\$504,472</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, 2018

	<u>General</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Revenues:			
Taxes	\$ 58,600	\$ 94,739	\$ 153,339
Licenses and permits	39,247	-	39,247
Intergovernmental	34,663	-	34,663
Fines and forfeits	64,002	-	64,002
Miscellaneous	<u>34,365</u>	<u>1,315</u>	<u>35,680</u>
Total revenues	<u>230,877</u>	<u>96,054</u>	<u>326,931</u>
Expenditures:			
Current -			
General government	60,732	19,572	80,304
Public safety:			
Police	139,308	-	139,308
Fire	21,741	-	21,741
Recreation	7,540	-	7,540
Public works	23,211	-	23,211
Capital outlay	11,646	-	11,646
Debt service -			
Lease payments	<u>-</u>	<u>13,536</u>	<u>13,536</u>
Total expenditures	<u>264,178</u>	<u>33,108</u>	<u>297,286</u>
Excess (deficiency) of revenues over expenditures	<u>(33,301)</u>	<u>62,946</u>	<u>29,645</u>
Other financing sources (uses):			
Transfers in	35,000	-	35,000
Transfers out	<u>(40)</u>	<u>(8,440)</u>	<u>(8,480)</u>
Total other financing sources (uses)	<u>34,960</u>	<u>(8,440)</u>	<u>26,520</u>
Net changes in fund balances	1,659	54,506	56,165
Fund balances, beginning	<u>15,764</u>	<u>151,411</u>	<u>167,175</u>
Fund balances, ending	<u>\$ 17,423</u>	<u>\$ 205,917</u>	<u>\$ 223,340</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, 2018

Total net changes in fund balances per statement of revenues, expenditures and changes in fund balances		\$ 56,165
Capital assets:		
Capital outlay	\$ 11,646	
Depreciation expense	<u>(38,238)</u>	(26,592)
Long-term liabilities:		
Principal paid on capital lease		<u>13,536</u>
Change in net position per statement of activities		<u>\$ 43,109</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, 2018

	Water Utility	Sewer Utility	Totals
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 115,883	\$ 88,522	\$ 204,405
Accounts receivable	53,423	9,875	63,298
Due from other funds	-	275	275
Inventories, at cost	33,614	-	33,614
Prepaid items	3,108	845	3,953
Total current assets	<u>206,028</u>	<u>99,517</u>	<u>305,545</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest bearing deposits	146,495	9,048	155,543
Capital assets -			
Depreciable capital assets, net	2,025,934	384,878	2,410,812
Total noncurrent assets	<u>2,172,429</u>	<u>393,926</u>	<u>2,566,355</u>
Total assets	<u>\$ 2,378,457</u>	<u>\$ 493,443</u>	<u>\$ 2,871,900</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 21,016	\$ 1,121	\$ 22,137
Due to other funds	7,315	110	7,425
Capital lease payable	8,604	-	8,604
Payable from restricted assets -			
Revenue bonds	14,367	-	14,367
Accrued interest payable	31,735	-	31,735
Total current liabilities	<u>83,037</u>	<u>1,231</u>	<u>84,268</u>
Noncurrent liabilities:			
Customers' deposits	67,568	9,048	76,616
Revenue bonds payable	862,614	-	862,614
Total noncurrent liabilities	<u>930,182</u>	<u>9,048</u>	<u>939,230</u>
Total liabilities	<u>1,013,219</u>	<u>10,279</u>	<u>1,023,498</u>
NET POSITION			
Net investment in capital assets	1,154,716	384,878	1,539,594
Restricted for debt service	32,825	-	32,825
Unrestricted	177,697	98,286	275,983
Total net position	<u>\$ 1,365,238</u>	<u>\$ 483,164</u>	<u>\$ 1,848,402</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, 2018

	Water Utility	Sewer Utility	Total
Operating revenues:			
Charges for services	\$ 415,930	\$ 63,792	\$ 479,722
Installation and other charges	<u>27,238</u>	<u>-</u>	<u>27,238</u>
Total operating revenues	<u>443,168</u>	<u>63,792</u>	<u>506,960</u>
Operating expenses:			
Salaries	121,777	14,400	136,177
Payroll taxes	9,306	1,102	10,408
Depreciation expense	154,334	73,254	227,588
Maintenance and repairs	23,730	3,568	27,298
Supplies	2,548	24	2,572
Legal and professional	6,250	5,225	11,475
Insurance	28,754	7,010	35,764
Fuel and oil	8,537	-	8,537
Chemicals and supplies	90,960	5,283	96,243
Utilities and telephone	20,691	17,416	38,107
Laboratory testing	770	5,364	6,134
Other	<u>44,732</u>	<u>2,017</u>	<u>46,749</u>
Total operating expenses	<u>512,389</u>	<u>134,663</u>	<u>647,052</u>
Operating income (loss)	<u>(69,221)</u>	<u>(70,871)</u>	<u>(140,092)</u>
Nonoperating revenues (expenses):			
State grants	10,000	-	10,000
Interest income	567	215	782
Interest expense	<u>(38,632)</u>	<u>-</u>	<u>(38,632)</u>
Total nonoperating revenues (expenses)	<u>(28,065)</u>	<u>215</u>	<u>(27,850)</u>
Loss before transfers	<u>(97,286)</u>	<u>(70,656)</u>	<u>(167,942)</u>
Transfers in	3,440	-	3,440
Transfers out	<u>(29,960)</u>	<u>-</u>	<u>(29,960)</u>
Total transfers	<u>(26,520)</u>	<u>-</u>	<u>(26,520)</u>
Change in net position	(123,806)	(70,656)	(194,462)
Net position, beginning	<u>1,489,044</u>	<u>553,820</u>	<u>2,042,864</u>
Net position, ending	<u>\$ 1,365,238</u>	<u>\$ 483,164</u>	<u>\$ 1,848,402</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, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 437,482	\$ 62,074	\$ 499,556
Payments to suppliers	(230,681)	(47,048)	(277,729)
Payments to employees	<u>(131,083)</u>	<u>(15,502)</u>	<u>(146,585)</u>
Net cash provided (used) by operating activities	<u>75,718</u>	<u>(476)</u>	<u>75,242</u>
Cash flows from noncapital financing activities:			
Customer deposits	6,689	641	7,330
Cash received from other funds	6,414	110	6,524
Cash paid to other funds	-	(44)	(44)
Transfers from (to) other funds	<u>(26,520)</u>	<u>-</u>	<u>(26,520)</u>
Net cash provided (used) by noncapital financing activities	<u>(13,417)</u>	<u>707</u>	<u>(12,710)</u>
Cash flows from capital and related financing activities:			
Interest and fiscal charges paid on revenue bonds	(39,144)	-	(39,144)
Principal paid on bonds	(13,755)	-	(13,755)
Principal paid on capital lease	(10,027)	-	(10,027)
Proceeds from grant	10,000	-	10,000
Acquisition of property, plant and equipment	<u>(3,440)</u>	<u>(8,608)</u>	<u>(12,048)</u>
Net cash used by capital and related financing activities	<u>(56,366)</u>	<u>(8,608)</u>	<u>(64,974)</u>
Cash flows from investing activities:			
Interest received on interest-bearing deposits	<u>567</u>	<u>215</u>	<u>782</u>
Net change in cash and cash equivalents	6,502	(8,162)	(1,660)
Cash and cash equivalents, beginning of period	<u>255,876</u>	<u>105,732</u>	<u>361,608</u>
Cash and cash equivalents, end of period	<u>\$ 262,378</u>	<u>\$ 97,570</u>	<u>\$ 359,948</u>

(continued)

VILLAGE OF HESSMER, LOUISIANA

Statement of Cash Flows
 Proprietary Funds (Continued)
 For the Year Ended August 31, 2018

	<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)	\$ (69,221)	\$ (70,871)	\$ (140,092)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	154,334	73,254	227,588
Changes in current assets and liabilities:			
Accounts receivable	(5,686)	(1,718)	(7,404)
Inventory	(15,552)	-	(15,552)
Accounts payable	11,843	(1,141)	10,702
Net cash provided (used) by operating activities	<u>\$ 75,718</u>	<u>\$ (476)</u>	<u>\$ 75,242</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	\$ 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, beginning of period	<u>255,876</u>	<u>105,732</u>	<u>361,608</u>
Cash and cash equivalents, end of period -			
Demand deposits - unrestricted	115,883	88,522	204,405
Demand deposits - restricted	<u>146,495</u>	<u>9,048</u>	<u>155,543</u>
Total cash and cash equivalents, end of period	<u>262,378</u>	<u>97,570</u>	<u>359,948</u>
Net change	<u>\$ 6,502</u>	<u>\$ (8,162)</u>	<u>\$ (1,660)</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, 2018. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year-end.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Village in October and are actually billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Avoyelles Parish. Village property tax revenues are budgeted in the year billed.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables, advances to and from other funds, as well as due to and from other funds are eliminated in the statement of net position.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond August 31, 2018, 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 7
Utility Revenue	See Note 6

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

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(2) Cash and Interest-Bearing Deposits

Under state law, the Village may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Village may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal officers in Louisiana.

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

Bank balances	<u>\$ 582,701</u>
Federal deposit insurance	\$ 487,823
Uninsured and collateral held by the pledging banks, not in the Village's name	<u>94,878</u>
Total FDIC insurance and pledged securities	<u>\$ 582,701</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	\$ 67,568	\$ 9,048	\$ 76,616
Sinking Fund	4,544	-	4,544
Revenue Bond Reserve Fund	25,475	-	25,475
Short Lived Asset Fund	23,433	-	23,433
Depreciation and Contingency Fund	<u>25,475</u>	<u>-</u>	<u>25,475</u>
Total restricted assets	<u>\$ 146,495</u>	<u>\$ 9,048</u>	<u>\$ 155,543</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	203,192	11,646	-	214,838
Infrastructure	<u>153,419</u>	<u>-</u>	<u>-</u>	<u>153,419</u>
Total capital assets	<u>666,053</u>	<u>11,646</u>	<u>-</u>	<u>677,699</u>
Less accumulated depreciation -				
Buildings	146,110	5,431	-	151,541
Equipment, furniture and fixtures	106,688	24,432	-	131,120
Infrastructure	<u>80,714</u>	<u>8,375</u>	<u>-</u>	<u>89,089</u>
Total accumulated depreciation	<u>333,512</u>	<u>38,238</u>	<u>-</u>	<u>371,750</u>
Governmental activities, capital assets, net	<u>\$ 332,541</u>	<u>\$ (26,592)</u>	<u>\$ -</u>	<u>\$ 305,949</u>
Business-type activities:				
Capital assets not being depreciated -				
Construction in progress	\$ 31,455	\$ -	\$ 31,455	\$ -
Other capital assets -				
Water system	4,083,570	34,895	929	4,117,536
Sewer system	<u>1,785,691</u>	<u>8,608</u>	<u>-</u>	<u>1,794,299</u>
Totals	<u>5,900,716</u>	<u>43,503</u>	<u>32,384</u>	<u>5,911,835</u>
Less accumulated depreciation -				
Water system	1,938,197	154,334	929	2,091,602
Sewer system	<u>1,336,167</u>	<u>73,254</u>	<u>-</u>	<u>1,409,421</u>
Total accumulated depreciation	<u>3,274,364</u>	<u>227,588</u>	<u>929</u>	<u>3,501,023</u>
Business-type activities, capital assets, net	<u>\$2,626,352</u>	<u>\$ (184,085)</u>	<u>\$ 31,455</u>	<u>\$2,410,812</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 9,077
Police	7,525
Streets and sidewalks	7,699
Recreation	<u>13,937</u>
Total depreciation expense	<u>\$38,238</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

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

Water	\$ 154,334
Sewer	<u>73,254</u>
Total depreciation expense	<u>\$ 227,588</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	\$ 38,353	\$ -	\$ 13,536	\$ 24,817	\$ 13,536
Business-type activities					
Capital lease	18,631	-	10,027	8,604	8,604
Water revenue bond	<u>890,736</u>	<u>-</u>	<u>13,755</u>	<u>876,981</u>	<u>14,367</u>
Total	<u>\$ 947,720</u>	<u>\$ -</u>	<u>\$ 37,318</u>	<u>\$ 910,402</u>	<u>\$ 36,507</u>

The following is information relating to the capital lease payable in governmental activities:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding</u>
Kubota	6/2/2020	0.00%	\$ 24,817

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,536	\$ -	\$ 13,536
2020	<u>11,281</u>	<u>-</u>	<u>11,281</u>
	<u>\$ 24,817</u>	<u>\$ -</u>	<u>\$ 24,817</u>

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

Equipment and vehicles	\$ 55,609
Less: Accumulated depreciation	<u>(7,415)</u>
Net	<u>\$ 48,194</u>

Depreciation of leased equipment and vehicles under capital leases in the amount of \$5,561 for the year ended August 31, 2018 was included in depreciation expense.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

Bonds payable at August 31, 2018 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. \$ 876,981

Annual debt service requirements of bonds outstanding were as follows:

Year Ending August 31,	Business-type Activities		
	Revenue Bonds		
	Principal	Interest	Total
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	17,110	35,340	52,450
2024-2028	97,710	164,538	262,248
2029-2033	121,553	140,695	262,248
2034-2038	151,215	111,033	262,248
2039-2043	188,116	74,132	262,248
2044-2048	234,021	28,227	262,248
2049-2053	<u>5,822</u>	<u>27</u>	<u>5,849</u>
	<u>\$ 876,981</u>	<u>\$ 702,357</u>	<u>\$ 1,579,338</u>

The following is information relating to the capital lease payable in business type activities:

	Maturity Date	Interest Rate	Balance Outstanding
Caterpillar	5/29/2019	3.20%	\$ 8,604

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

Year Ending August 31,	Principal	Interest	Total
2019	<u>\$ 8,604</u>	<u>\$ 127</u>	<u>\$ 8,731</u>

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

Equipment and vehicles	\$ 48,349
Less: Accumulated depreciation	<u>(39,485)</u>
Net	<u>\$ 8,864</u>

Depreciation of leased equipment and vehicles under capital leases in the amount of \$9,670 for the year ended August 31, 2018 was included in depreciation expense.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(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, 2018, the Village made 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%).

(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.

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

(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, 2018 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, 2018, 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
Justin Gaspard	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	600
Joshua Roy	4142 Bordelon St. Hessmer, LA 71341 (318) 563-4511	4	12/31/2020	<u>600</u>
				<u>\$ 1,800</u>

(11) Interfund Transactions

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities -		
General Fund	\$ 5,400	\$ -
Sales Tax Fund	1,750	-
Enterprise funds -		
Water Utility Fund	-	7,315
Sewer Utility Fund	275	110
Total	<u>\$ 7,425</u>	<u>\$ 7,425</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to Basic Financial Statements

Transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 35,000	\$ 40
Sales Tax Fund	-	8,440
Enterprise funds:		
Water Utility Fund	<u>3,440</u>	<u>29,960</u>
 Total	 <u>\$ 38,440</u>	 <u>\$ 38,440</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 \$14,117 of supplemental pay during the year ended August 31, 2018. 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, 2018, 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, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 58,000	\$ 56,000	\$ 58,600	\$ 2,600
Licenses and permits	38,000	36,500	39,247	2,747
Intergovernmental	29,800	34,550	34,663	113
Fines and forfeits	55,700	71,700	64,002	(7,698)
Miscellaneous	<u>23,500</u>	<u>21,800</u>	<u>34,365</u>	<u>12,565</u>
Total revenues	<u>205,000</u>	<u>220,550</u>	<u>230,877</u>	<u>10,327</u>
Expenditures:				
General government	46,200	60,130	60,732	(602)
Public safety -				
Police	138,100	145,750	139,308	6,442
Fire	17,900	16,500	21,741	(5,241)
Recreation	13,500	7,800	7,540	260
Streets and sidewalks	25,800	23,150	23,211	(61)
Capital outlay	<u>1,800</u>	<u>700</u>	<u>11,646</u>	<u>(10,946)</u>
Total expenditures	<u>243,300</u>	<u>254,030</u>	<u>264,178</u>	<u>(10,148)</u>
Deficiency of revenues over expenditures	<u>(38,300)</u>	<u>(33,480)</u>	<u>(33,301)</u>	<u>179</u>
Other financing sources (uses):				
Transfers in	35,000	35,000	35,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>40</u>
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>34,960</u>	<u>40</u>
Net change in fund balance	(3,300)	1,520	1,659	219
Fund balance, beginning	<u>15,764</u>	<u>15,764</u>	<u>15,764</u>	<u>-</u>
Fund balance, ending	<u>\$ 12,464</u>	<u>\$ 17,284</u>	<u>\$ 17,423</u>	<u>\$ 219</u>

VILLAGE OF HESSMER, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 102,000	\$ 93,000	\$ 94,739	\$ 1,739
Interest income	250	250	1,315	1,065
Total revenues	<u>102,250</u>	<u>93,250</u>	<u>96,054</u>	<u>2,804</u>
Expenditures:				
General government	28,750	25,310	19,572	5,738
Capital outlay	-	20,400	-	20,400
Debt service -				
Lease payments	<u>15,368</u>	<u>16,000</u>	<u>13,536</u>	<u>2,464</u>
Total expenditures	<u>44,118</u>	<u>61,710</u>	<u>33,108</u>	<u>28,602</u>
Excess of revenues over expenditures	<u>58,132</u>	<u>31,540</u>	<u>62,946</u>	<u>31,406</u>
Other financing uses:				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(8,440)</u>	<u>1,560</u>
Net change in fund balance	48,132	21,540	54,506	32,966
Fund balances, beginning	<u>151,411</u>	<u>151,411</u>	<u>151,411</u>	<u>-</u>
Fund balances, ending	<u>\$ 199,543</u>	<u>\$ 172,951</u>	<u>\$ 205,917</u>	<u>\$ 32,966</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended August 31, 2018

(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 incurred expenditures in excess of appropriations for the year ended August 31, 2018.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended August 31, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 27,000	\$ 25,000	\$ 24,495	\$ (505)
Franchise -				
Electric	27,000	27,000	30,742	3,742
Gas	4,000	4,000	3,363	(637)
Total taxes	<u>58,000</u>	<u>56,000</u>	<u>58,600</u>	<u>2,600</u>
Licenses and permits:				
Occupational licenses	<u>38,000</u>	<u>36,500</u>	<u>39,247</u>	<u>2,747</u>
Intergovernmental:				
Department of Revenue and Taxation -				
Beer taxes	2,800	2,800	2,192	(608)
2% Fire insurance rebate	14,000	13,000	12,904	(96)
Avoyelles Parish Police Jury -				
Rural fire	1,250	1,250	1,080	(170)
Department of Transportation -				
Grass cutting	1,750	3,500	2,920	(580)
Office of Community Development -				
LGAP grant	-	-	1,450	1,450
Louisiana Commission on Law				
Enforcement	<u>10,000</u>	<u>14,000</u>	<u>14,117</u>	<u>117</u>
Total intergovernmental	<u>29,800</u>	<u>34,550</u>	<u>34,663</u>	<u>113</u>
Fines and forfeits:				
Fines and court costs	<u>55,700</u>	<u>71,700</u>	<u>64,002</u>	<u>(7,698)</u>
Miscellaneous:				
Rental	19,500	19,500	19,440	(60)
Other sources	<u>4,000</u>	<u>2,300</u>	<u>14,925</u>	<u>12,625</u>
Total miscellaneous	<u>23,500</u>	<u>21,800</u>	<u>34,365</u>	<u>12,565</u>
Total revenues	<u>\$ 205,000</u>	<u>\$ 220,550</u>	<u>\$ 230,877</u>	<u>\$ 10,327</u>

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended August 31, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government -				
Administration:				
Salaries	\$ 13,000	\$ 24,000	\$ 21,641	\$ 2,359
Per diem - Aldermen	1,800	1,800	1,800	-
Payroll taxes	1,100	1,600	2,328	(728)
Insurance	2,600	2,000	6,564	(4,564)
Office supplies and expenses	2,900	3,700	3,310	390
Dues and subscriptions	1,800	1,800	1,497	303
Legal and professional fees	7,000	9,500	9,775	(275)
Repairs and maintenance	2,000	-	295	(295)
Utilities and telephone	6,000	6,000	5,820	180
Miscellaneous	8,000	9,730	7,702	2,028
Total general government	<u>46,200</u>	<u>60,130</u>	<u>60,732</u>	<u>(602)</u>
Public safety -				
Police:				
Salaries	86,400	88,500	81,742	6,758
Payroll taxes	7,000	7,600	7,136	464
Supplemental pay	10,000	14,000	14,117	(117)
Fuel and oil	8,000	10,500	10,012	488
Repairs and maintenance	4,000	1,500	5,415	(3,915)
Insurance	13,500	15,500	15,732	(232)
Supplies	3,200	2,800	875	1,925
Utilities and telephone	4,500	2,800	2,417	383
Miscellaneous	1,500	2,550	1,862	688
Total police	<u>138,100</u>	<u>145,750</u>	<u>139,308</u>	<u>6,442</u>

(continued)

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended August 31, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire -				
Salaries	3,000	3,000	3,000	-
Payroll taxes	200	200	230	(30)
Insurance	11,000	9,000	14,292	(5,292)
Utilities and telephone	3,700	4,300	4,219	81
Total fire	<u>17,900</u>	<u>16,500</u>	<u>21,741</u>	<u>(5,241)</u>
Recreation -				
Salaries	1,000	-	-	-
Payroll taxes	100	-	-	-
Insurance	1,200	-	-	-
Repairs and maintenance	3,800	350	-	350
Recreation facilities	1,000	1,800	1,811	(11)
Supplies	-	50	38	12
Miscellaneous	6,400	5,600	5,691	(91)
Total recreation	<u>13,500</u>	<u>7,800</u>	<u>7,540</u>	<u>260</u>
Public works -				
Fuel and oil	2,000	150	114	36
Street lights and power	20,500	20,500	21,092	(592)
Utilities	2,500	2,500	2,005	495
Miscellaneous	800	-	-	-
Total streets and sidewalks	<u>25,800</u>	<u>23,150</u>	<u>23,211</u>	<u>(61)</u>
Capital outlay -				
General Government	-	-	11,646	(11,646)
Total expenditures	<u>\$ 243,300</u>	<u>\$ 254,030</u>	<u>\$ 264,178</u>	<u>\$ (10,148)</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Utility Customers and Rates
For the Years Ended August 31, 2018 and 2017

Records maintained by the Village indicated the following number of customers were being serviced during the month of August, 2018 and 2017:

Department	2018	2017
Water:		
Commercial	58	57
Residential	989	979
Total	1,047	1,036
Sewerage:		
Commercial	36	35
Residential	253	252
Total	289	287

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, 2018

Description of Coverage	Asset Covered	Amount of Coverage	Ins. Co.	Expiration Date
Workmen's compensation	All Employees	\$100,000 each employee	LWCC	5/1/19
Property	Pump House & Pumps	\$150,000	First Insurance	5/1/19
	Storage Building	\$146,500	First Insurance	5/1/19
	City Hall / PD	\$240,000	First Insurance	5/1/19
	Gymnasium	\$100,000	First Insurance	5/1/19
	Sewer Treatment Plant	\$250,000	First Insurance	5/1/19
	Water Tower, Wells, Motors & Tanks	\$1,010,000	First Insurance	5/1/19
General Liability	Commercial	\$500,000	First Insurance	5/1/19
	Law Enforcement Officer	\$500,000	First Insurance	5/1/19
	Errors & Omissions	\$500,000	First Insurance	5/1/19
	Automobiles	\$500,000	First Insurance	5/1/19
Blanket Bond	All Employees	\$500,000	First Insurance	11/17/18
Blanket Bond	Mayor	\$500,000	First Insurance	12/15/21
Collision	Automobiles	\$25,000	First Insurance	5/1/19
Property	Caterpillar	\$47,999	Caterpillar Insurance Co.	6/30/20
Special Risk	Fire Station	\$383,146	Special Risk Insurane	5/1/19
	Fire Station Garage	\$96,064	Special Risk Insurane	5/1/19
	General Liability (Fire)	\$1,000,000 each occurrence	Special Risk Insurane	5/1/19
	Accidental Death	\$20,000	Special Risk Insurane	5/1/19

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
For the Years Ended August 31, 2018 and 2017

	Water		Sewer		Totals	
	2018	2017	2018	2017	2018	2017
Operating revenues:						
Charges for services	\$ 415,930	\$ 379,444	\$ 63,792	\$ 63,042	\$ 479,722	\$ 442,486
Installation and other charges	<u>27,238</u>	<u>25,350</u>	<u>-</u>	<u>1,640</u>	<u>27,238</u>	<u>26,990</u>
Total operating revenues	<u>443,168</u>	<u>404,794</u>	<u>63,792</u>	<u>64,682</u>	<u>506,960</u>	<u>469,476</u>
Operating expenses:						
Salaries and labor	121,777	125,772	14,400	13,800	136,177	139,572
Payroll taxes	9,306	9,561	1,102	1,102	10,408	10,663
Depreciation	154,334	150,090	73,254	71,845	227,588	221,935
Maintenance and repairs	23,730	24,976	3,568	1,564	27,298	26,540
Office supplies	2,548	2,244	24	169	2,572	2,413
Legal and professional	6,250	3,504	5,225	3,390	11,475	6,894
Insurance	28,754	24,802	7,010	5,754	35,764	30,556
Fuel and oil	8,537	5,633	-	-	8,537	5,633
Chemicals and supplies	90,960	71,154	5,283	8,872	96,243	80,026
Utilities and telephone	20,691	20,381	17,416	14,721	38,107	35,102
Laboratory testing	770	1,215	5,364	6,021	6,134	7,236
Other	<u>44,732</u>	<u>21,226</u>	<u>2,017</u>	<u>1,116</u>	<u>46,749</u>	<u>22,342</u>
Total operating expenses	<u>512,389</u>	<u>460,558</u>	<u>134,663</u>	<u>128,354</u>	<u>647,052</u>	<u>588,912</u>
Net operating income (loss)	<u>\$ (69,221)</u>	<u>\$ (55,764)</u>	<u>\$ (70,871)</u>	<u>\$ (63,672)</u>	<u>\$ (140,092)</u>	<u>\$ (119,436)</u>

VILLAGE OF HESSMER, LOUISIANA
Enterprise Fund
Utility Fund

Accounts Receivable Aging
For the Year Ended August 31, 2018

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

<u>Department</u>	
Water and Sewerage:	
Current	\$ 61,161
30 to 60 days	1,762
61 to 90 days	375
Over 90 days	-
Total	<u>\$ 63,298</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, 2018, 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 20, 2019.

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 of 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 have not been identified. However, as described in the accompanying schedule of current and prior year audit findings and management's corrective action, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2018-001, 2018-002, 2018-003, 2018-004 and 2018-006, to be material weaknesses.

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. We consider the deficiencies, described in the accompany schedule of current and prior year audit findings and management's corrective action plan as item 2018-005, to be a significant deficiency.

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 schedule of current and prior year audit findings and management's corrective action plan as items 2018-007, 2018-008 and 2018-009.

Village of Hessmer, Louisiana's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
February 20, 2019

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2018

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

A. Internal Control Over Financial Reporting

2018-001 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

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

CRITERIA: AU-C §265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Travis Franks, Mayor 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 Village 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.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2018

2018-002 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2007

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

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

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

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village will segregate duties to ensure that these accounting functions are not performed by the same individual.

2018-003 Policies and procedures

Fiscal year finding initially occurred: 2018

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

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2018

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

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

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

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

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

2018-004 Utility Accounts Receivable and Customer Deposits Subsidiary Ledger

Fiscal year finding initially occurred: 2018

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

CRITERIA: Internal controls should be in place to reconcile the subsidiary ledgers for utility accounts receivable and customer deposits to the general ledger and cash account to ensure all activity is properly recorded.

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

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

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

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2018

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

2018-005 Obligation of Village Funds

Fiscal year finding initially occurred: 2018

CONDITION: The Police Department obligated village funds by entering into a Verizon contract for the police departments cellphones and cellular equipment without Board approval.

CRITERIA: Internal controls should be in place to ensure that any contractual agreement or obligation of Village funds be first approved by the Board to ensure the contractual agreement or obligation is allowable and budgeted.

CAUSE: The Police Department did not follow the proper procedures related to the instance noted above and has obligated the Village for monies that could result in spending in excess of their budget.

EFFECT: Improper review and approval of contracts without Board approval, could result in excess spending compared to current budgets, as well as the purchase of expenditures that are not allowable. Current obligation to the village is approximately \$2,000.

RECOMMENDATION: Internal controls should be in place to ensure that any contractual agreement or obligation of Village funds be first approved by the Board.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management of the Village of Hessmer will review procedures to ensure that any contractual agreement or obligation of Village funds be first approved by the Board.

2018-006 Internal Controls over Timesheets

Fiscal year finding initially occurred: 2018

CONDITION: Proper internal controls over the recording and approval of timesheets are not being followed by the Village of Hessmer.

CRITERIA: Internal controls should be followed over the recording and approval of timesheets to ensure that employees are not being

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
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under/overpaid for work performed in their normal day to day operations.

CAUSE: The Village uses an electronic timesheet system for tracking hours worked. In accordance with Village Policy, employees are to be paid for the hours on those timesheets unless adjustments are approved by a supervisor. Employees were paid for hours that were not recorded on the electronic timesheet without written approval from a supervisor.

EFFECT: Not following proper internal controls over recording and approving timesheets could result in under/over paying employees for time not actually worked.

RECOMMENDATION: The employees of the Village of Hessmer should follow the policies of the Village in recording and approving time.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management of the Village of Hessmer will review procedures to ensure that all employees follow the appropriate policies in recording their daily attendance.

B. Compliance

2018-007 Sales Tax Non-Compliance

Fiscal year finding initially occurred: 2018

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

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

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

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

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

VILLAGE OF HESSMER, LOUISIANA

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

2018-008 Untimely Deposits

Fiscal year finding initially occurred: 2018

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

CRITERIA: La R.S. 39:1212.

CAUSE: The Village held the checks and failed to deposit them timely.

EFFECT: Failure to deposit revenues timely could result in understatement of revenues and cash and misplacement or misappropriation of the monies.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management of the Village of Hessmer will review procedures related to the collections and deposits and implement the proper procedures to ensure all deposits are made timely.

2018-009 Compensation paid for time not worked

Fiscal year finding initially occurred: 2018

CONDITION: An employee was paid for time not worked.

CRITERIA: Article VII section 14 of the Louisiana Constitution states in general that funds of the Village shall not be loaned, pledged, or donated to any person.

CAUSE: An employee of the Village utilized the Village's electronic time clock to record the beginning and ending hours of his shift. During this time, the employee left the Village and interviewed for a job in a neighboring Village. This information was brought to the attention of the Mayor and Chief of Police prior to paychecks for the period being issued. The individual's timesheet was not adjusted for the hours in question; as a result, the employee received full pay for the period in excess of the hours worked.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
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EFFECT: An employee was paid for hours not worked at the Village which may have been a donation of Village funds to the employee, and possibly a violation of Article VII section 14 of the Louisiana Constitution. The employee no longer works for the Village.

RECOMMENDATION: Management should carefully review all timesheets prior to issuing paychecks and should adjust the time for any services not provided to the Village. Management should consult legal counsel to determine if the Village is entitled to repayment from the employee.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Upon receipt of a possible fraudulent transaction, management of the Village of Hessmer will not process payment until the LLA and District Attorney has been notified, and have been given further instruction.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended August 31, 2018

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2017-001 Application of Generally Accepted Accounting Principles (GAAP)

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

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

CURRENT STATUS: Unresolved. See item 2018-001.

2017-002 Inadequate Segregation of Accounting Functions

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

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

CURRENT STATUS: Unresolved. See item 2018-002.

2017-003 Debt agreement

CONDITION: The Village did not make all of the payments to their Reserve, Contingency and Short-Lived Asset funds, as required by their debt agreements.

RECOMMENDATION: Management should make the required transfers into the Reserve, Contingency and Short-Lived Asset funds on a monthly basis.

CURRENT STATUS: Resolved.

VILLAGE OF HESSMER, LOUISIANA

Schedule of Current and Prior Year Audit Findings
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2017-004 Budget noncompliance

CONDITION: Expenditures of the Sales Tax Fund exceeded budgeted expenditures by more than 5%.

RECOMMENDATION: The Village should periodically compare actual activity to budgeted amounts and budgetary amendments as necessary to cause compliance with state statute.

CURRENT STATUS: Resolved.

VILLAGE OF HESSMER
Hessmer, Louisiana

Agreed-Upon Procedures Report

Period Ended August 31, 2018

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 the Alderman
Village of Hessmer, and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Village of Hessmer (Entity) 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, 2017 through August 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories:
 - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee

- 2. We obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) We observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, we observed that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

- c) For governmental entities, we obtained the prior year audit report and observed the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

- 4. Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 7. Randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtained supporting documentation for each of the 10 deposits and:
 - a) Observed that receipts are sequentially pre-numbered.
 - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Traced the deposit slip total to the actual deposit per the bank statement.
 - d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Traced the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
- a) Observed that the disbursement matched the related original invoice/billing statement.
 - b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.
12. Using the listing prepared by management, randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:
- a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtained management's representation that the listing is complete. Randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observed that the original contract terms provided for such an amendment.
 - d) Randomly selected one payment from the fiscal period for each of the 5 contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected 5 employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtained attendance records and leave documentation for the pay period, and:
 - a) Observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observed that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulate leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtained ethics documentation from management, and:
 - a. Observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

21. Obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

Other

23. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings:

In accordance with the Statewide Agreed-Upon Procedures, certain categories may be excluded from testing.

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

Written Policies:

The Village of Hessmer does not have written policies and procedures addressing budget, purchasing, disbursements, receipts, overtime worked for payroll, contracting, credit and debit cards, travel and expense reimbursement, ethics, and debt service.

Board:

The Village of Hessmer meeting minutes do not make reference to or include budget to actual comparisons for the General Fund and other major Special Revenue Funds.

The Village of Hessmer meeting minutes do not make reference to or include monthly financial statements for major proprietary funds.

Bank Reconciliations:

5 out of 5 bank reconciliations for the Village of Hessmer were not prepared within 2 months of statement closing date.

Bank reconciliations for the Village of Hessmer do not include evidence that a member of management, or a board member, who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

1 of the 5 bank reconciliations examined for the Village of Hessmer, did not include evidence of management researching reconciling items outstanding more than 12 months from the statement closing date.

Collections:

At one deposit site of the Village of Hessmer, the person responsible for collecting cash, is also responsible for preparing the deposit slip, depositing the cash, recording the deposit into the general ledger, and reconciling the bank statement. The board reviews receipts at every monthly meeting.

At one deposit site of the Village of Hessmer, the person responsible for collecting cash, is also responsible for preparing the deposit slip and depositing the cash and recording the deposit into the subsidiary ledger. The board does review receipts at every monthly meeting.

Two employees have access/share the same cash drawer related to Utility collections.

One deposit tested for the Village of Hessmer was not deposited in a timely manner.

Disbursements:

The Village of Hessmer does not have a purchase order or requisition system in place for disbursements that separates the initiation of a purchase from approval.

The Village of Hessmer does not have a written policy in place prohibiting the person responsible for processing disbursements from adding vendors to the disbursement system.

The Village of Hessmer does not have a written policy in place indicating that the individual with signatory authority has no responsibility for initiating or recording purchases.

Credit/Debit/Fuel Cards:

Debit card statements for the Village of Hessmer do not include evidence that all supporting documentation for purchases was reviewed and approved by a member of management or a board member.

Travel:

One of the reimbursements paid by the Village of Hessmer used a per diem rate that was in excess of the reimbursement rate established by the State of LA or GSA.

Contracts:

The Village of Hessmer is noncompliant with contract procedures due to entering into a contract without board approval.

Payroll:

The Village of Hessmer does not have employment contracts or salary schedules for the employees selected for testing.

Ethics:

3 of the 5 employees selected for testing in the Village of Hessmer did not receive ethics training for the fiscal period.

The Village of Hessmer does not have written policies on ethics, therefore testing employees for documentation that the ethics policies have been reviewed was unable to be performed.

Other:

The Village of Hessmer does not have the “fight fraud” link posted on their website.

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
February 20, 2019