

VILLAGE OF HESSMER, LOUISIANA

Financial Report

Year Ended August 31, 2024

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INDEPENDENT AUDITORS' REPORT

The Honorable Robbie Dauzat, Mayor and
Members of the Board of Aldermen
Village of Hessmer Louisiana

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hessmer, Louisiana ("the Village"), as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Qualified
Sales Tax Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified

Qualified Opinion on the General Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Village of Hessmer, Louisiana, as of August 31, 2024, 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.

Unmodified Opinions on Governmental Activities, Business-type Activities, Sales Tax Fund, Water Fund and Sewer Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, Sales Tax Fund, Water Fund, and Sewer Fund, of the Village of Hessmer, Louisiana, as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit qualified and unmodified opinions.

Matter Giving Rise to the Qualified Opinion on the General Fund

As discussed in Note 16 to the financial statements, the Village did not properly record police fines revenues in accordance with accounting principles generally accepted in the United States of America. Our audit procedures indicated that the reported amount of police fines is materially misstated. The Village was unable to provide sufficient documentation to support the accuracy and completeness of police fines collections. The effects of this departure from generally accepted accounting principles are material to the financial statements, but not pervasive.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hessmer, Louisiana's basic financial statements. The accompanying justice system funding schedule – collecting/disbursing entity and LCDBG program financial statements on

pages 45 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the justice system funding schedule – collecting/disbursing entity and the LCDBG program financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedules on pages 41 through 44 but does not include the basic financial statements and our auditors' report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2025 on our consideration of the Village of Hessmer, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Hessmer, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Hessmer Louisiana's internal control over financial reporting and compliance.

Ducote & Company
Certified Public Accountants

Marksville, Louisiana
May 30, 2025

BASIC FINANCIAL STATEMENTS

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

VILLAGE OF HESSMER
Hessmer, Louisiana

Statement of Net Position
August 31, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 92,943	\$ 268,697	\$ 361,640
Receivables, net	10,704	123,898	134,602
Internal balances	(5,592)	5,592	-
Due from other governmental agencies	62,420	-	62,420
Inventories, at cost	-	21,846	21,846
Restricted assets:			
Cash and interest-bearing deposits	-	152,558	152,558
Capital assets:			
Non depreciable capital assets	119,329	-	119,329
Depreciable capital assets, net	280,681	2,148,406	2,429,087
Total assets	<u>560,485</u>	<u>2,720,997</u>	<u>3,281,482</u>
LIABILITIES			
Accounts and other payables	67,203	14,921	82,124
Accrued interest	-	2,349	2,349
Customer deposits payable	-	120,609	120,609
Long-term liabilities:			
Portion due within one year -			
Bonds payable	-	23,000	23,000
Portion due after one year -			
Bonds payable	-	728,000	728,000
Total liabilities	<u>67,203</u>	<u>888,879</u>	<u>956,082</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - grant revenues	<u>-</u>	<u>105,411</u>	<u>105,411</u>
NET POSITION			
Net investment in capital assets	400,010	1,538,331	1,938,341
Restricted ofr:			
Sales tax	88,539	-	88,539
Debt service	-	29,327	29,327
Unrestricted	4,733	159,049	163,782
Total net position	<u>\$ 493,282</u>	<u>\$ 1,726,707</u>	<u>\$ 2,219,989</u>

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

VILLAGE OF HESSMER
Hessmer, Louisiana

Statement of Activities
For the Year Ended August 31, 2024

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	156,990	\$ -	\$ -	\$ 62,329	\$ (94,661)	\$ -	\$ (94,661)
Public Safety:							
Police	168,708	43,502	6,000	-	(119,206)	-	(119,206)
Fire	13,372	-	-	-	(13,372)	-	(13,372)
Health and welfare	37,262	-	-	-	(37,262)	-	(37,262)
Public Works	69,217	-	-	-	(69,217)	-	(69,217)
Total governmental activities	<u>445,549</u>	<u>43,502</u>	<u>6,000</u>	<u>62,329</u>	<u>(333,718)</u>	<u>-</u>	<u>(333,718)</u>
Business-type activities:							
Water	589,448	630,761	-	13,098	-	54,411	54,411
Sewer	236,466	75,054	-	3,152	-	(158,260)	(158,260)
Total business-type activities	<u>825,914</u>	<u>705,815</u>	<u>-</u>	<u>16,250</u>	<u>-</u>	<u>(103,849)</u>	<u>(103,849)</u>
Total	<u>\$ 1,271,463</u>	<u>\$ 749,317</u>	<u>\$ 6,000</u>	<u>\$ 78,579</u>	<u>(333,718)</u>	<u>(103,849)</u>	<u>(437,567)</u>
General revenues							
Taxes -							
Property Taxes, levied for general purposes					27,890	-	27,890
Sales and use taxes, levied for general purposes					149,179	-	149,179
Franchise taxes					36,832	-	36,832
Intergovernmental revenues					32,291	-	32,291
Licenses and permits					43,100	-	43,100
Interest earnings					194	54	248
Miscellaneous					26,113	-	26,113
Transfers					<u>53,667</u>	<u>(53,667)</u>	<u>-</u>
Total general revenues and transfers					<u>369,266</u>	<u>(53,613)</u>	<u>315,653</u>
Change in net position					35,548	(157,462)	(121,914)
Net position, beginning					<u>457,734</u>	<u>1,884,169</u>	<u>2,341,903</u>
Net position, ending					<u>\$ 493,282</u>	<u>\$ 1,726,707</u>	<u>\$ 2,219,989</u>

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

FUND FINANCIAL STATEMENTS (FFS)

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

Balance Sheet
Governmental Fund - General Fund
August 31, 2024

ASSETS	General Fund	Sales Tax Fund	Totals
Cash and interest-bearing deposits	\$ 11,903	\$ 81,040	\$ 92,943
Receivables:			
Taxes	-	10,704	10,704
Due from other governments	62,420	-	62,420
Due from other funds	3,749	-	3,749
Total assets	<u>\$ 78,072</u>	<u>\$ 91,744</u>	<u>\$ 169,816</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 64,203	\$ 3,000	\$ 67,203
Due to other funds	9,136	205	9,341
Total liabilities	<u>73,339</u>	<u>3,205</u>	<u>76,544</u>
Fund balance:			
Restricted	-	88,539	88,539
Unassigned	4,733	-	4,733
Total fund balance	<u>4,733</u>	<u>88,539</u>	<u>93,272</u>
Total liabilities and fund balance	<u>\$ 78,072</u>	<u>\$ 91,744</u>	<u>\$ 169,816</u>

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

VILLAGE OF HESSMER
Hessmer, Louisiana

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
August 31, 2024**

Total fund balance for the governmental fund		\$	93,272
Cost of capital assets	1,031,056		
Less: accumulated depreciation	<u>(631,046)</u>		<u>400,010</u>
Net position of governmental activities at August 31, 2024		\$	<u>493,282</u>

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

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

**Statement of Revenues, Expenditures, and Change in Fund Balance -
Governmental Fund - General Fund
For the Year Ended August 31, 2024**

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Revenues:			
Taxes	\$ 64,722	\$ 149,179	\$ 213,901
Licenses and permits	43,100	-	43,100
Intergovernmental	100,620	-	100,620
Fines and forfeits	43,502	-	43,502
Miscellaneous	26,113	194	26,307
Total revenues	<u>278,057</u>	<u>149,373</u>	<u>427,430</u>
Expenditures:			
Current -			
General government	95,704	55,705	151,409
Public Safety:			
Police	165,060	-	165,060
Fire	13,372	-	13,372
Health and welfare	5,292	-	5,292
Public works	29,114	28,142	57,256
Capital outlay	89,724	-	89,724
Total expenditures	<u>398,266</u>	<u>83,847</u>	<u>482,113</u>
Deficiency of revenues over expenditures	<u>(120,209)</u>	<u>65,526</u>	<u>(54,683)</u>
Other financing sources (uses):			
Transfers in	95,700	-	95,700
Transfer out	-	(42,033)	(42,033)
Total other financing sources	<u>95,700</u>	<u>(42,033)</u>	<u>53,667</u>
Net changes in fund balance	(24,509)	23,493	(1,016)
Fund balance, beginning	<u>29,241</u>	<u>65,046</u>	<u>94,287</u>
Fund balance, ending	<u>\$ 4,732</u>	<u>\$ 88,539</u>	<u>\$ 93,271</u>

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

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

**Reconciliation of the Statement of Revenues, Expenditures, and
Change in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended August 31, 2024**

Total net change in fund balance per the statement of revenues, expenditures and change in fund balance		\$	(1,016)
Capital assets, net			
Capital outlay	\$	89,724	
Depreciation Expense		<u>(53,160)</u>	<u>36,564</u>
Total changes in net position per statement of activities			<u>\$</u> <u>35,548</u>

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

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

Statement of Net Position
Proprietary Fund
August 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 209,131	\$ 59,566	\$ 268,697
Receivables, net	105,471	18,427	123,898
Due from other funds	7,661	24,072	31,733
Inventories, at costs	21,846	-	21,846
Total current assets	<u>344,109</u>	<u>102,065</u>	<u>446,174</u>
Noncurrent assets -			
Restricted assets:			
Cash and interest-bearing deposits	140,925	11,633	152,558
Capital assets:			
Depreciable capital assets, net	<u>1,464,387</u>	<u>684,019</u>	<u>2,148,406</u>
Total noncurrent assets	<u>1,605,312</u>	<u>\$ 695,652</u>	<u>\$ 2,300,964</u>
Total assets	<u>\$ 1,949,421</u>	<u>\$ 797,717</u>	<u>\$ 2,747,138</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	\$ 13,921	\$ 1,000	\$ 14,921
Due to other funds	23,339	2,802	26,141
Payable from restricted assets -			
Revenue bond payable	23,000	-	23,000
Accrued interest payable	2,349	-	2,349
Total current liabilities	<u>62,609</u>	<u>3,802</u>	<u>66,411</u>
Noncurrent liabilities:			
Customers' deposits	108,976	11,633	120,609
Revenue bond payable	728,000	-	728,000
Total noncurrent liabilities	<u>836,976</u>	<u>11,633</u>	<u>848,609</u>
Total liabilities	<u>899,585</u>	<u>15,435</u>	<u>915,020</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - grant revenues	<u>105,411</u>	<u>-</u>	<u>105,411</u>
NET POSITION			
Net investment in capital assets	854,312	684,019	1,538,331
Restricted for debt service	29,327	-	29,327
Unrestricted	60,786	98,263	159,049
Total net position	<u>\$ 944,425</u>	<u>\$ 782,282</u>	<u>\$ 1,726,707</u>

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

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

Statement of Revenues, Expenditures, and Change in Net Position
Proprietary Fund
For the Year Ended August 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 609,562	\$ 75,054	\$ 684,616
Installation and other charges	21,199	-	21,199
Total operating revenues	<u>630,761</u>	<u>75,054</u>	<u>705,815</u>
Operating Expenditures:			
Salaries	85,971	8,650	94,621
Payroll taxes	6,442	662	7,104
Depreciation Expense	137,228	177,434	314,662
Maintenance and repairs	153,465	7,968	161,433
Supplies	9,570	6,356	15,926
Legal and professional	27,621	5,700	33,321
Insurance	38,805	3,148	41,953
Fuel and oil	13,358	300	13,658
Chemicals and supplies	60,729	-	60,729
Utilities and telephone	19,945	12,918	32,863
Laboratory testing	3,081	11,875	14,956
Other	12,425	1,455	13,880
Total operating expenses	<u>568,640</u>	<u>236,466</u>	<u>805,106</u>
Operating income (loss)	<u>62,121</u>	<u>(161,412)</u>	<u>(99,291)</u>
Nonoperating revenues (expenses)			
Grant revenues	13,098	3,152	16,250
Interest income	54	-	54
Interest expense	<u>(20,808)</u>	<u>-</u>	<u>(20,808)</u>
Total nonoperating revenues	<u>(7,656)</u>	<u>3,152</u>	<u>(4,504)</u>
Income (loss) before transfers	54,465	(158,260)	(103,795)
Other financing sources (uses):			
Operating transfers in (out)	<u>(56,374)</u>	<u>2,707</u>	<u>(53,667)</u>
Change in net position	(1,909)	(155,553)	(157,462)
Net position, beginning	<u>946,334</u>	<u>937,835</u>	<u>1,884,169</u>
Net position, ending	<u><u>\$ 944,425</u></u>	<u><u>\$ 782,282</u></u>	<u><u>\$ 1,726,707</u></u>

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

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 607,364	\$ 69,998	\$ 677,362
Payments to suppliers	(347,546)	(49,910)	(397,456)
Payments to employees	(92,413)	(9,312)	(101,725)
Net cash provided by operating activities	<u>167,405</u>	<u>10,776</u>	<u>178,181</u>
Cash flows from noncapital financing activities:			
Cash paid to other funds	<u>(63,206)</u>	<u>-</u>	<u>(63,206)</u>
Net cash provided (sed) by noncapital financing activities	<u>(63,206)</u>	<u>-</u>	<u>(63,206)</u>
Cash flows from capital and related financing activities:			
Proceeds from grant revenues	-	552,877	552,877
Principal paid on note revenue bonds payable	(23,000)		(23,000)
Interest and fiscal charges paid on revenue bonds	(20,808)		(20,808)
Capital purchase and construction of capital assets	<u>(47,741)</u>	<u>(558,268)</u>	<u>(606,009)</u>
Net cash provided by capital and related financing activities	<u>(91,549)</u>	<u>(5,391)</u>	<u>(96,940)</u>
Cash flows from investing activities:			
Interest income	<u>54</u>	<u>-</u>	<u>54</u>
Net cash provided by investing activities	<u>54</u>	<u>-</u>	<u>54</u>
Net change in cash and interest-bearing deposits	<u>12,704</u>	<u>5,385</u>	<u>18,089</u>
Cash and interest-bearing deposits, beginning of period	<u>337,352</u>	<u>65,814</u>	<u>403,166</u>
Cash and interest-bearing deposits, end of period	<u>\$ 350,056</u>	<u>\$ 71,199</u>	<u>\$ 421,255</u>

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

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

Statement of Cash Flows
Proprietary Fund (Continued)
For the Year Ended August 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating loss	\$ 62,121	\$ (161,412)	\$ (99,291)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	137,228	177,434	314,662
Changes in current assets and liabilities:			
Accounts receivable	(24,304)	(4,012)	(28,316)
Accounts payable	(8,547)	(190)	(8,737)
Customers' deposits	907	(1,044)	(137)
Net cash provided by operating activities	<u>\$ 167,405</u>	<u>\$ 10,776</u>	<u>\$ 178,181</u>
Reconciliation of cash and cash equivalents per statement of cash flows to statement of net position			
Cash and cash equivalents, beginning of period -			
Cash and cash equivalents - unrestricted	197,261	249,270	446,531
Cash and cash equivalents - restricted	<u>140,091</u>	<u>176,454</u>	<u>316,545</u>
Total cash and cash equivalents, beginning of period	<u>337,352</u>	<u>425,724</u>	<u>763,076</u>
Cash and cash equivalents, end of period -			
Cash and cash equivalents - unrestricted	209,131	59,566	268,697
Cash and cash equivalents - restricted	<u>140,925</u>	<u>11,663</u>	<u>152,588</u>
Total cash and cash equivalents, end of period	<u>\$ 350,056</u>	<u>\$ 71,229</u>	<u>\$ 421,285</u>

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

VILLAGE OF HESSMER, LOUISIANA

Notes to the 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.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Village uses the following funds, grouped by fund type.

Governmental Fund -

Governmental Funds are those through which most governmental functions of the Village are financed. The acquisition, use and balances of the Village's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

General Fund

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

Special Revenue Funds

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

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

Proprietary Fund –

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 are recovered through user charges. The proprietary fund maintained by the Village is the enterprise fund.

Enterprise funds

The Enterprise Funds are used to report activities for which a fee is charged to external users. This fund accounts 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 are 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 the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

A. Measurement Focus/Basis of Accounting and Financial Statement Presentation

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, and charges for services 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 the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

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.

B. Asset, 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 funds statement of cash flows, "cash and interest-bearing deposits" include all demand deposits 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 ad valorem, sales and use taxes, and franchise taxes. Business-type activities report customers' utility service receivables as their major receivables. Uncollectible amounts due from utility service receivables are recognized as bad debts 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, 2024. 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. 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 from are eliminated in the statement of net position.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Inventory

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

Restricted Assets

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

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 acquisition cost or estimated if acquisition cost is not available. Donated assets are recorded as capital assets at their estimated acquisition 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
Equipment, furniture and fixtures	5-25 years
Utility system and improvements	20-40 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 the same way as in the government-wide statements.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used for governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

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 of the revenue bonds 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 financial 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 on their length of service. Annual leave is not payable upon termination.

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Equity Classifications

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

- a. Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

- b. Restricted net position consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, 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 net 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 financial 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 on the specific purposes 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 Board of Aldermen.
- d. Assigned includes fund 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 Aldermen.
- e. Unassigned includes fund balance amounts which have not been classified within the above-mentioned categories.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

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.

Propriety fund equity is classified the same as in government-wide statements.

A. 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 the Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

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 Fund - By Operating and Nonoperating

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 and proprietary funds have been eliminated.

B. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 8
Water revenue	See Note 7

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

C. 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 expenditures 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 the 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 deposits of the state banks organized under Louisiana law and national banks having principal offices 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>\$ 443,007</u>
Federal deposit insurance	\$ 440,233
Uninsured and collateral held by pledging bank, not in Village's name	<u>2,774</u>
Total FDCI insurance and pledged securities	<u>\$ 443,007</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	\$ 108,976	\$ 11,633	\$ 120,609
Sinking Fund	31,949	-	31,949
Total restricted assets	<u>\$ 140,925</u>	<u>\$ 11,633</u>	<u>\$ 152,558</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(4) Capital Assets

Capital asset activity was as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,000	\$ -	\$ -	\$ 57,000
Construction in progress	-	62,329	-	62,329
Total capital assets not being depreciated	<u>57,000</u>	<u>62,329</u>	<u>-</u>	<u>119,329</u>
Capital assets being depreciated				
Buildings	214,382	2,500	-	216,882
Equipment, furniture and fixtures	272,024	8,600	-	280,624
Infrastructure	397,926	16,295	-	414,221
Total capital assets being depreciated	<u>884,332</u>	<u>27,395</u>	<u>-</u>	<u>911,727</u>
Total capital assets	<u>941,332</u>	<u>89,724</u>	<u>-</u>	<u>1,031,056</u>
Less accumulated depreciation				
Buildings	177,157	4,792	-	181,949
Equipment, furniture and fixtures	200,934	15,367	-	216,301
Infrastructure	199,798	33,001	-	232,797
Total accumulated depreciation	<u>577,866</u>	<u>53,160</u>	<u>-</u>	<u>631,046</u>
Total capital assets being depreciated, net	<u>306,446</u>	<u>(25,765)</u>	<u>-</u>	<u>280,681</u>
Governmental activities, Capital assets, net	<u>\$ 363,446</u>	<u>\$ 36,564</u>	<u>\$ -</u>	<u>\$ 400,010</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 5,581
Police	3,648
Street	31,970
Recreation	<u>11,961</u>
Total depreciation expense	<u>\$ 53,160</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(4) Capital Assets (Continued)

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Water system		47,741	-	4,401,142
Sewer system	2,613,603	11,152	-	2,624,755
Total capital assets	6,967,004	58,893	-	7,025,897
Less accumulated depreciation				
Water system	2,799,527	137,228	-	2,936,755
Sewer system	1,763,302	177,434	-	1,940,736
Total accumulated depreciation	4,562,829	314,662		4,877,491
Total capital assets being depreciated, net	4,562,829	(255,769)	-	2,148,406
Business-type activities, Capital assets, net	\$4,462,829	(255,769)	-	\$2,148,406

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

Water	\$ 137,228
Sewer	177,434
Total depreciation expense	<u>\$ 314,662</u>

(5) Leases

On April 28, 1999, the Village entered into a 60-month lease agreement with AT&T Mobility Corporation for the use of space on the Village's water tower to mount LTE equipment and antennas for a monthly payment of \$810. The lease was renewed for the same monthly rate on January 1, 2006 for one 60-month term with the option of renewing the lease for four (4) additional 60-month terms. In October 2014, the monthly lease payments were renegotiated and increased to \$1,620 per month. On December 31, 2021, the expiration date of the most recent 60-month term, the Village entered into a month-to-month lease with the same payment terms and began negotiating a lease renewal. As of August 31, 2024, the negotiations of the lease renewal are continuing, while the Village continues to receive a monthly lease payment of \$1,620.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(6) 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>Ending Balance</u>	<u>Amount due in one year</u>
Direct Placement					
Business-type activities					
Water revenue refunding					
bonds, series 2021	<u>\$ 774,000</u>	<u>\$ -</u>	<u>\$ 23,000</u>	<u>\$ 751,000</u>	<u>\$ 23,000</u>

Water Revenue Bonds

The Water Revenue Refunding Bonds, Series 2021 (Bonds), dated November 1, 2021, were issued to refund the outstanding Water Revenue Bonds, Series 2008. Principal payments consist of fully amortized annual installments of \$22,000 to \$42,000 which are due through November 1, 2047. The bonds bear an annual interest of .99% to 3.25% and interest payments are due semi-annually on May 1 and November 1. The bonds are secured solely from the net revenues of the Village's waterworks system. Under the bond agreement, the Village is required to fix, establish, and maintain water utility rates at such a level that would provide revenues in each year, after paying all reasonable and necessary expenses, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year as well as fund monthly transfers into a sinking fund account as more fully described in Note 7.

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

<u>Year Ending August 31,</u>	<u>Direct Placement Debt Refunding Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 23,000	\$ 20,547	\$ 43,547
2026	23,000	20,259	43,259
2027	24,000	19,924	43,924
2028	24,000	19,538	43,538
2029	25,000	19,101	44,101
2030-2034	135,000	86,866	221,866
2035-2039	155,000	66,188	221,188
2040-2044	180,000	40,876	220,876
2045-2048	162,000	10,693	172,693
	<u>\$ 751,000</u>	<u>\$ 303,992</u>	<u>\$ 1,054,992</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

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

The revenues of the water system are partially pledged to retire the Water Revenue Refunding Bonds, Series 2021 dated November 1, 2021.

The bond resolutions of the 2021 Revenue Refunding Bonds require the establishment and maintenance of the Water Revenue Bond and Interest Sinking Fund.

The Water System Fund is required to transfer to the Water Revenue Bond and Interest Sinking Fund account for the monthly sums as follows:

<u>November 20 to October 20</u>	<u>Amount</u>
2025 – 2026	\$ 3,618
2026 – 2027	\$ 3,676
2027 – 2028	\$ 3,645
2028 – 2029	\$ 3,694
2029 – 2030	\$ 3,739
2030 – 2031	\$ 3,696
2031 – 2032	\$ 3,732
2032 – 2033	\$ 3,682
2033 – 2034	\$ 3,781
2034 – 2035	\$ 3,709
2035 – 2036	\$ 3,719
2036 – 2037	\$ 3,728
2037 – 2038	\$ 3,734
2038 – 2039	\$ 3,737
2039 – 2040	\$ 3,738
2040 – 2041	\$ 3,736
2041 – 2042	\$ 3,732
2042 – 2043	\$ 3,725
2043 – 2044	\$ 3,708
2044 – 2045	\$ 3,689
2045 – 2046	\$ 3,666
2046 – 2047	\$ 3,641
2047 – 2048	\$ 3,614

For the year ended August 31, 2024, the Village made all transfers in accordance with bond requirements.

(8) Sales and Use Tax

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

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

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(9) 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	\$ 3,749	\$ 9,136
Sales Tax Fund		205
Enterprise funds:		
Water Utility Fund	7,661	23,339
Sewer Utility Fund	24,072	2,802
	<u>\$ 35,482</u>	<u>\$ 35,482</u>

These balances results from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made

b. The Village of Hessmer had interfund transfers as follows

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 95,700	\$ -
Sales Tax Fund		42,033
Enterprise funds:		
Water Utility Fund	-	56,374
Sewer Utility Fund	2,707	-
	<u>\$ 98,407</u>	<u>\$ 98,407</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.

(10) Compensation, Benefits and Other Payments to Mayor

In accordance with Act 706 of the 2014 Regular Legislative Session of the Louisiana Legislature, the Village of Hessmer is required to disclose the compensation, benefits, and other payments made to the agency head. For the year ended August 31, 2024, the agency head of the Village was Mayor Mark Jeansonne. The following is a summary of payments made:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 6,600
Benefits	545
Reimbursements	277
Conference registration fees	300
Total	<u>\$7,722</u>

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(11) Compensation Paid to Village Officials

A detail of compensation paid to the Board of Aldermen for the year ended August 31, 2024 follows:

<u>Alderman</u>	<u>Term</u>	<u>Term Expiration</u>	<u>Per Diem</u>
Ashton Dauzat	4	12/31/2024	\$ 600
Dustin Moreau	4	12/31/2024	600
Jason Starkey	4	12/31/2024	600
Total			<u>\$ 1,800</u>

(12) On-Behalf Payment of Salaries

The State of Louisiana paid the Village's police officers \$6,000 of supplemental pay during the year ended August 31, 2024. Such payments are recorded as intergovernmental revenues and public safety expenditures in the government-wide and General Fund financial statements.

(13) Litigation and Claims

On August 31, 2024, 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 mitigated by buying commercial insurance coverage. Management believes coverage is sufficient to preclude significant losses to the Village. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded insurance coverage for the past three years.

(15) Utility Services Agreement

During the fiscal year 2022, the Village entered into services agreement with Sustainability Partners, LLP (SP) to provide certain upgrades and ongoing maintenance to the Village's water utility system. The initial term of the agreement was for one month and it automatically extended for successive additional one-month terms, unless the Village or SP has given written nonrenewal notice at least thirty (30) days prior to the additional one-month term.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Financial Statements

(16) Police Fine Revenue

Police fine revenues are recorded in the General Fund as revenue when collected in accordance with the Village's modified cash basis of accounting. During the current year audit, the Village was unable to provide adequate supporting documentation for police fine revenues. A comparison of collections reported in the financial statements to ticket collection reports and bank deposits revealed discrepancies indicating that the reported police fine revenue is materially misstated.

Due to the absence of sufficient audit evidence to verify the completeness and accuracy of reported police fine revenue, the financial statements include a qualified opinion. Management has been advised to implement procedures to improve the tracking and reconciliation of police citation activity and fine collections going forward.

**REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2024

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 68,750	\$ 66,730	\$ 64,722	\$ (2,008)
Licenses and permits	46,500	43,100	43,100	-
Intergovernmental	43,055	99,339	100,620	1,281
Fines and Forfeits	80,000	44,000	43,502	(498)
Miscellaneous	19,940	27,735	26,113	(1,622)
Total Revenues	<u>258,245</u>	<u>280,904</u>	<u>278,057</u>	<u>(2,847)</u>
Expenditures:				
General Government	79,600	96,577	95,704	873
Public Safety -				
Police	134,025	159,738	165,060	(5,322)
Fire	18,460	13,350	13,372	(22)
Health and welfare	5,200	5,400	5,292	108
Public works	31,100	29,120	29,114	6
Capital outlay	-	89,724	89,724	-
Total Expenditures	<u>268,385</u>	<u>393,909</u>	<u>398,266</u>	<u>(4,357)</u>
Deficiency of revenues over expenditures	(10,140)	(113,005)	(120,209)	(7,204)
Other financing sources:				
Transfers In	<u>18,000</u>	<u>95,700</u>	<u>95,700</u>	<u>-</u>
Net change in fund balance	7,860	(17,305)	(24,509)	1,510
Fund balance beginning,	<u>29,241</u>	<u>29,241</u>	<u>29,241</u>	
Fund balance, ending	<u>\$ 37,101</u>	<u>\$ 11,936</u>	<u>\$ 4,732</u>	<u>\$ 1,510</u>

See independent auditors' report and the related notes to the financial statements.

VILLAGE OF HESSMER, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended August 31, 2024

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 160,850	\$ 145,808	\$ 149,179	\$ 3,371
Interest Income	175	180	194	14
Total Revenues	<u>161,025</u>	<u>145,988</u>	<u>149,373</u>	<u>3,385</u>
Expenditures:				
General Government	35,720	53,265	55,705	(2,440)
Health and welfare	-	-	-	-
Public Works	6,945	30,239	28,142	2,097
Capital Outlay	30,000	-	-	-
Total Expenditures	<u>72,665</u>	<u>83,504</u>	<u>83,847</u>	<u>(343)</u>
Excess of revenues over expenditures	<u>88,360</u>	<u>62,484</u>	<u>65,526</u>	<u>3,728</u>
Other financing sources:				
Transfers Out	<u>(6,000)</u>	<u>(42,033)</u>	<u>(42,033)</u>	<u>-</u>
Net change in fund balance	82,360	20,451	23,493	3,728
Fund balance beginning,	<u>65,046</u>	<u>65,046</u>	<u>65,046</u>	
Fund balance, ending	<u>\$ 147,406</u>	<u>\$ 85,497</u>	<u>\$ 88,539</u>	<u>\$ 3,728</u>

See independent auditors' report and the related notes to the financial statements.

VILLAGE OF HESSMER, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended August 31, 2024

(1) Budget and Budgetary Accounting

The Village uses the following procedures to establish the budgetary data reflected in the financial statements:

1. The Mayor meets with the Board of Aldermen to review the prior year revenue and expenditures as a basis for projecting the current fiscal year budget.
2. Anticipated changes from the prior year are considered and reflected in the projections.
3. Once adopted, the budget is made available for public inspection and a budget summary is published in the Village's designated official journal.
4. The Village does not formally integrate its budget as a management tool.
5. All budgetary appropriations lapse at the end of the 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 Board of Aldermen. Such amendments were not material in relation to the original appropriations.

(2) Excess of Expenditures Over Appropriations

The Village incurred expenditures in excess of appropriations in the General Fund.

OTHER SUPPLEMENTARY INFORMATION

OTHER INFORMATION

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended August 31, 2024

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes				
Ad Valorem	\$ 27,000	\$ 27,890	\$ 27,890	\$ -
Franchise -				
Electric	36,750	33,840	31,991	(1,849)
Gas	5,000	5,000	4,841	(159)
Total taxes	<u>68,750</u>	<u>66,730</u>	<u>64,722</u>	<u>(2,008)</u>
Licenses and permits:				
Occupational Licenses	<u>46,500</u>	<u>43,100</u>	<u>43,100</u>	<u>-</u>
Intergovernmental:				
State of Louisiana -				
Department of Revenue and Taxation -				
Beer taxes	2,575	2,455	2,458	3
2% Fire insurance rebate	18,000	20,205	20,206	1
Department of Transportation				
Grass cutting	2,900	2,900	1,450	(1,450)
Office of Community Development				
Department of Public Safety -				
Police supplemental pay	-	-	6,000	6,000
Disaster Recovery and Mitigation				
Grant Revenues	-	62,329	62,329	-
Tunica Biloxi Tribe of Louisiana				
Casino revenues	18,500	10,370	7,097	(3,273)
Avoyelles Parish Police Jury				
Rural fire	1,080	1,080	1,080	-
Total intergovernmental	<u>43,055</u>	<u>99,339</u>	<u>100,620</u>	<u>1,281</u>
Fines and forfeits:				
Fines and Court Costs	<u>80,000</u>	<u>44,000</u>	<u>43,502</u>	<u>(498)</u>
Miscellaneous:				
Interest	-	-	-	-
Rental	19,440	19,440	17,820	(1,620)
Other Sources	500	8,295	8,293	(2)
Total miscellaneous	<u>19,940</u>	<u>27,735</u>	<u>26,113</u>	<u>(1,622)</u>
Total revenues	<u>\$ 258,245</u>	<u>\$ 280,904</u>	<u>\$ 278,057</u>	<u>\$ (2,847)</u>

See independent auditors' report and the related notes to the financial statements.

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended August 31, 2024

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General government -				
Administration				
Salaries	\$ 35,375	\$ 29,594	\$ 28,107	\$ 1,487
Per diem - Alderman	1,800	1,800	1,800	-
Payroll taxes	2,700	2,131	2,126	5
Insurance	1,125	28,553	28,552	1
Office supplies and expenses	10,950	11,830	12,687	(857)
Dues and subscriptions	350	2,030	2,034	(4)
Legal and professional fees	6,400	4,645	4,643	2
Repairs and maintenance	2,000	160	160	-
Utilities and telephone	14,600	13,590	13,658	(68)
Miscellaneous	4,300	2,244	1,937	307
Total general government	<u>79,600</u>	<u>96,577</u>	<u>95,704</u>	<u>873</u>
Public safety-				
Police:				
Salaries	95,000	105,087	104,541	546
Payroll taxes	7,725	7,917	7,874	43
Fuel and oil	13,000	10,900	10,955	(55)
Repairs and maintenance	4,000	3,990	3,988	2
Insurance	5,200	17,261	17,263	(2)
Supplies	2,700	6,075	6,074	1
Utilities and telephone	2,900	2,900	2,904	(4)
Legal and professional fees	1,200	1,200	1,200	-
Miscellaneous	2,300	4,408	10,261	(5,853)
Total police	<u>134,025</u>	<u>159,738</u>	<u>165,060</u>	<u>(5,322)</u>

See independent auditors' report and the related notes to the financial statements.

VILLAGE OF HESSMER, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expendures (Continued)
For the Year Ended August 31, 2024

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire -				
Salaries	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Payroll taxes	210	210	230	(20)
Insurance	11,000	5,560	5,562	(2)
Utilities and telephone	4,100	4,580	4,580	-
Miscellaneous	150	-	-	-
Total fire	<u>18,460</u>	<u>13,350</u>	<u>13,372</u>	<u>(22)</u>
Health and Welfare				
Recreation-				
Repairs and maintenance	500	-	-	-
Recreation facilities	3,250	4,015	3,908	107
Supplies	850	900	474	426
Miscellaneous	600	485	910	(425)
Total recreation	<u>5,200</u>	<u>5,400</u>	<u>5,292</u>	<u>108</u>
Public Works -				
Streets and sidewalks				
Repairs and maintenance	1,200	1,040	837	203
Fuel and oil	25	-	-	-
Supplies	4,000	4,210	4,210	-
Street lights and power	25,500	23,480	23,670	(190)
Utilities	375	390	397	(7)
Miscellaneous	-	-	-	-
Total streets and sidewalks	<u>31,100</u>	<u>29,120</u>	<u>29,114</u>	<u>6</u>
Capital outlay				
Health and Welfare	-	11,100	11,100	-
Public Works	-	78,624	78,624	-
Total capital outlay	<u>-</u>	<u>89,724</u>	<u>89,724</u>	<u>-</u>
Total expenditures	<u>\$ 268,385</u>	<u>\$ 393,909</u>	<u>\$ 398,266</u>	<u>\$ (4,357)</u>

See independent auditors' report and the related notes to the financial statements.

VILLAGE OF HESSMER, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended August 31, 2024

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government -				
Administration:				
Salaries	\$ 31,000	\$ 44,810	\$ 47,930	\$ (3,120)
Payroll taxes	2,375	3,430	3,667	(237)
Legal and professional fees	2,000	4,000	3,087	913
Repairs and maintenance	-	-	-	-
Miscellaneous	345	1,025	1,021	4
Total general government	<u>35,720</u>	<u>53,265</u>	<u>55,705</u>	<u>(2,440)</u>
 Public works -				
Streets and sidewalks:				
Legal and professional fees	5,000	18,400	16,304	2,096
Repairs and maintenance	-	9,310	9,309	1
Miscellaneous	1,945	2,529	2,529	-
Total public works	<u>6,945</u>	<u>30,239</u>	<u>28,142</u>	<u>2,097</u>
 Capital outlay				
Public works	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	<u>\$ 72,665</u>	<u>\$ 83,504</u>	<u>\$ 83,847</u>	<u>\$ (343)</u>

See independent auditors' report and the related notes to the financial statements.

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity
As Required by ACT 87 of the 2020 Regular Legislative Session
General Fund
Cash Basis Presentation
For the Year Ended August 31, 2024

	First Six Month Period Ended 02/29/2024	Second Six Month Period Ended 08/31/2024
1. Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ -	\$ -
2. Collections		
a. Civil Fees	-	-
b. Bonds Fees	-	-
c. Cash Bonds	-	-
d. Asset Forfeiture/Sale	-	-
e. Pre-Trial Diversion Program Fees	-	-
f. Criminal Court Costs/Fees	18,307	25,465
g. Criminal Fines - Contempt	-	-
h. Criminal Fines - Other/Non-Contempt	-	-
i. Restitution	-	-
j. Probation/Parole/Supervision Fees	-	-
k. Service Fees	-	-
l. Collection Fees	-	-
m. Interest Earning on Collected Balance	-	-
n. Others	-	-
Total Collected	<u>18,307</u>	<u>25,465</u>
3. Deductions: Collections Retained by the Village of Hessmer		
I. Collection Fee for Collecting/Disbursing to Others based on Percentage of Collection	-	-
II. Collection Fee for Collecting/Disbursing to Others based on Fixed Amount	-	-
III. Other Amounts "Self-Disbursed"		
a. Civil Fees	-	-
b. Bonds Fees	-	-
c. Cash Bonds	-	-
d. Asset Forfeiture/Sale	-	-
e. Pre-Trial Diversion Program Fees	-	-
f. Criminal Court Costs/Fees	18,307	25,465
g. Criminal Fines - Contempt	-	-
h. Criminal Fines - Other/Non-Contempt	-	-
i. Restitution	-	-
j. Probation/Parole/Supervision Fees	-	-
k. Service Fees	-	-
l. Collection Fees	-	-
m. Interest Earning on Collected Balance	-	-
n. Others	-	-
Total Collections Retained by the Village of Hessmer	<u>18,307</u>	<u>25,465</u>
4. Deductions; Amounts Disbursed to Individuals and Entities/ Excluding Governments and Nonprofits		
a. Collecting/Processing Fees Paid to Third Party Entities	-	-
b. Civil Fee Refunds	-	-
c. Bond Refunds	-	-
d. Restituion Disbursements to Individuals and Entities/Excluding Governments and Nonprofits	-	-
e. Other Disbursements to Individuals and Entities/Excluding Governments and Nonprofits	-	-
Total Amounts Disbursed to Individuals and Entities, Excluding Governments and Nonprofits	<u>-</u>	<u>-</u>
5. Deductions: Total Disbursements to Other Governments & Nonprofits	<u>-</u>	<u>-</u>
6. Total Amounts Disbursed/Retained	<u>-</u>	<u>-</u>
7. Ending Cash Balance	<u>\$ -</u>	<u>-</u>
8. Ending Balance of "Partial Payments" Collected but not Disbursed	<u>-</u>	<u>-</u>
9. Other Information:		
I. Ending Balance of Amounts Assessed by Not Yet Collected	<u>-</u>	<u>-</u>
II. Total Waivers During the Fiscal Period	<u>-</u>	<u>-</u>

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

LCDBG Program - Balance Sheet
For the Year Ended August 31, 2024

	2020 Sewer Rehab
ASSETS	
Grant revenue receivable	\$ -
LIABILITIES AND FUND BALANCE	
Liabilities:	
Construction contracts payable	-
Construction retainage payable	-
Other payable	-
Total liabilities	-
Fund balances:	
Restricted - Public works	-
Total liabilities and fund balances	\$ -

See independent auditors' report and the related notes to the financial statements.

VILLAGE OF HESSMER, LOUISIANA
Hessmer, Louisiana

LCDBG - Program Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended August 31, 2024

	<u>2020 Sewer Rehabd</u>
Revenues:	
LCDBG Program	\$ -
Expenditures:	
Current -	
Engineering Services	-
Project Construction	<u>-</u>
Total expenditures	<u>-</u>
Net changes in fund balance	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

See independent auditors' report and the related notes to the financial statements.

**INTERNAL CONTROL,
COMPLIANCE AND
OTHER MATTERS**

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

The Honorable Robbie Dauzat, 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 as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Village of Hessmer's basic financial statements and have issued our report thereon dated May 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Hessmer's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Hessmer's internal control. Accordingly, we do not express an opinion of the effectiveness of the Village of Hessmer's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Hessmer's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2024-001 through 2024-007 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Hessmer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompany schedule of current and prior year audit findings and management's corrective action plan as items 2024-008 through 2024-011.

Village of Hessmer Louisiana's Response to Findings

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

Purpose of this report

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

Ducote & Company
Certified Public Accountants

Marksville, Louisiana
May 30, 2025

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

A. Internal Control Over Financial Reporting

2023-001 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

CURRENT STATUS: Unresolved. See item 2024-001

2023-002 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

CRITERIA: AU-C §315.04, Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement, defines internal control as follows: “Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

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

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

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

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

CURRENT STATUS: Unresolved. See item 2024-002

2023-003 Policies and Procedures

Fiscal year finding initially occurred: 2018.

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

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

CAUSE: The Village of Hessmer did not properly document policies and procedures to 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 drafting a formal, written policy and procedure manual to establish guidelines that will be followed for all operations.

CURRENT STATUS: Unresolved. See item 2024-003

2023-004 Customer Deposits Subsidiary Ledger Reconciliation

Fiscal year finding initially occurred: 2018.

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

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

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

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

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

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

CURRENT STATUS: Unresolved. See item 2024-004

2023-005 Grant Program Accounting and Financial Reporting

Fiscal year finding initially occurred: 2023.

CONDITION: The Village's management did not establish certain accounting records for documenting LCDBG-related activities as required under 2 CFR 200.302 and 2 CFR 200, subpart E (Cost Principles).

CRITERIA: Under grant fiscal management regulations 2 CFR 200.302, Financial Management, the Village's accounting records must identify adequately the source and application of funds for all LCDBG funded activities.

CAUSE: The Village's management did not record financial activity related to its FY 19 Louisiana Community Development Block Grant during the current year.

EFFECT: Failure to adequately record all LCDBG-funded financial activities could prohibit management from documenting compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

RECOMMENDATION: Management should design and implement policies and procedures to ensure all grant-related financial activities are recorded in a timely manner.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will review all grant fiscal management policies and procedures and make necessary changes to ensure that all grant-related financial activities are recorded in a timely manner.

CURRENT STATUS: Unresolved. See item 2024-005

B. Compliance

2023-006 Citation Fees Collections

Fiscal year finding initially occurred: 2021.

CONDITION: The Village did not collect fees required under various state statutes related to traffic citations.

CRITERIA: Various Louisiana state statutes.

CAUSE: The Village has not implemented procedures to ensure appropriate traffic citation fees are assessed on applicable traffic citations in accordance with various state statutes.

EFFECT: The Village has not implemented procedures to ensure appropriate traffic citation fees are assessed on applicable traffic citations in accordance with various state statutes.

RECOMMENDATION: The Village should ensure that all traffic citation fees are assessed, collected, and remitted in accordance with all applicable state statutes.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village has implemented policies and procedures along with software enhancements to ensure that all traffic citation fees are properly assessed, collected, and remitted in accordance with all applicable state statutes.

CURRENT STATUS: Unresolved. See item 2024-008

2023-007 Bond Compliance – Sinking Fund Debt Service Requirements

Fiscal year finding initially occurred: 2023.

CONDITION: The Village did not make the required payments into the Water Revenue Bonds, Series 2021 Sinking Fund on a monthly basis as required by the bond agreement.

CRITERIA: Compliance requirements related to the Water Revenue Bonds, Series 2021 bond agreement.

CAUSE: The Village did not effectively monitor the monthly sinking fund payments to ensure payments were made in a timely manner.

EFFECT: The Village did not comply with the Water Revenue Bond Series 2021 debt covenants.

RECOMMENDATION: The Village should develop and implement policies and procedures that ensure compliance with all debt agreement requirements of the Village.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village is developing and implementing policies and procedures to ensure compliance with all debt agreement requirements in the future.

CURRENT STATUS: Resolved

2023-008 Budgeted Fund Deficit

Fiscal year finding initially occurred: 2023.

CONDITION: The Village of Hessmer budgeted a fund deficit of \$61,585 in the General Fund for the year ended August 31, 2023.

CRITERIA: LA R.S. 39:1305, Budget Preparation, requires that budgeted expenditures not exceed available funds which include beginning fund balance and current year revenues, combined.

CAUSE: Management did not implement policies and procedures to ensure that current year's General Fund expenditures did not exceed current year's revenues and beginning fund balance, combined.

EFFECT: The Village of Hessmer did not comply with the provisions of LA R.S. 39:1305, Budget Preparation.

RECOMMENDATION: The Village of Hessmer should implement policies and procedures to closely monitor current available resources to ensure compliance with the provisions of LA R.S. 39:1305, Budget Preparation. In addition, management should perform a review of future General Fund operations to develop a plan to eliminate the fund balance deficit in future years.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will review the Village's fiscal management policies and procedures to ensure all provisions of LA R.S. 39:1305, Budget Preparation, are complied with in the future. Also, a complete review of the Village's

operations will be conducted to identify additional General Fund revenue sources and opportunities to reduce expenditures in an effort to eliminate the General Fund deficit in the future.

CURRENT STATUS: Resolved

2023-009 Prevention of Sexual Harassment Law

Fiscal year finding initially occurred: 2023.

CONDITION: The Village of Hessmer failed to comply with the provisions of LA R.S 42:341-345 Prevention of Sexual Harassment.

CRITERIA: LA R.S. 42:341-345, Prevention of Sexual Harassment, includes certain mandatory policy provisions, sexual harassment training, and reporting.

CAUSE: Management has not implemented policies and procedures to ensure compliance with the provisions of LA R.S. 42:341-345, Prevention of Sexual Harassment.

EFFECT: The Village of Hessmer did not comply with the provisions of LA R.S. 42:341-345, Prevention of Sexual Harassment.

RECOMMENDATION: The Village of Hessmer should implement policies and procedures to ensure compliance with the provisions of LA R.S. 42:341-345, Prevention of Sexual Harassment.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will develop policies and procedures related to the provisions of LA R.S. 42:341-345, Prevention of Sexual Harassment, to ensure all provisions of the law are complied with in the future.

CURRENT STATUS: Resolved

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

A. Internal Control Over Financial Reporting

2024-001 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

2024-002 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

CRITERIA: AU-C §315.04, Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement, defines internal control as follows: “Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

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

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

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

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

2024-003 Policies and Procedures

Fiscal year finding initially occurred: 2018.

CONDITION: The Village has adopted written policies and procedures addressing several key financial areas, including budgets, purchasing, processing disbursements, receipts, payroll, credit and debit cards, travel and expense reimbursements, ethics, and debt service. However, the policies do not fully address all areas required by the Louisiana Legislative Auditor (LLA), as tested under the Statewide Agreed-Upon Procedures (SAUPs).

CRITERIA: Written policies and procedures are necessary to provide a clear understanding of day-to-day operations and promote accountability, consistency, and compliance in local government operations.

CAUSE: While the Village has made progress in formalizing written policies and procedures, not all areas required by guidance have been addressed.

EFFECT: The absence of comprehensive written policies and procedures increases the risk of inconsistent practices, operational inefficiencies, and noncompliance with state-mandated expectations. It also limits the Village’s ability to demonstrate accountability in areas not covered by formal documentation.

RECOMMENDATION: Management should review the most current Statewide Agreed-Upon Procedures guidance issued by the LLA and ensure that written policies and procedures are adopted for all required areas.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management acknowledges the finding. The Village will review the full list of required policy areas under the SAUP guidance and update the existing policy manual to incorporate the remaining items. These updates are expected to be completed within the next fiscal year.

2024-004 Customer Deposits Subsidiary Ledger Reconciliation

Fiscal year finding initially occurred: 2018.

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

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

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

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

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

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

2024-005 Grant Program Accounting and Financial Reporting

Fiscal year finding initially occurred: 2023.

CONDITION: The Village's management did not establish certain accounting records for documenting LCDBG-related activities as required under 2 CFR 200.302 and 2 CFR 200, subpart E (Cost Principles).

CRITERIA: Under grant fiscal management regulations 2 CFR 200.302, Financial Management, the Village's accounting records must identify adequately the source and application of funds for all LCDBG funded activities.

CAUSE: The Village's management did not record financial activity related to its FY 19 Louisiana Community Development Block Grant during the current year.

EFFECT: Failure to adequately record all LCDBG-funded financial activities could prohibit management from documenting compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

RECOMMENDATION: Management should design and implement policies and procedures to ensure all grant-related financial activities are recorded in a timely manner.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will review all grant fiscal management policies and procedures and make necessary changes to ensure that all grant-related financial activities are recorded in a timely manner.

2025-006 Inadequate Controls over Police Ticket Revenue

Fiscal year finding initially occurred: 2024

CONDITION: One person individual is responsible for issuing tickets, collecting fines, recording payments in the ticket tracking system, and preparing deposits. No one else has ticket access to the ticketing system or reviews these functions.

CRITERIA: Effective internal control systems over revenue collection require segregation of duties among issuing tickets, collecting payments, recording receipts, and preparing deposits. GAGAS §6.17 emphasizes that appropriate internal control structures include monitoring activities and safeguarding assets from loss or misuse.

CAUSE: Due to limited staffing within the Police Department, incompatible duties have not been adequately segregated. There are no written policies or oversight mechanisms in place to monitor ticketing and collection activities.

EFFECT: There is a heightened risk of errors or misappropriation of funds occurring and not being detected in a timely manner. The lack of reconciliation, documentation, and supervisory review reduces the reliability of reported police fine revenue and increases the potential for fraud or loss.

2025-007 Inadequate Support and Reconciliation for Police Fines Revenue

Fiscal year finding initially occurred: 2024.

CONDITION: The Village provided a ticket fines collection report for the year that showed approximately \$9,247 more in collections than was recorded in the general ledger. Management was unable to provide supporting documentation to reconcile the difference or substantiate the completeness and accuracy of the fines revenue recorded.

CRITERIA: Governmental entities are responsible for maintaining complete and accurate accounting records and ensuring all revenues are properly recorded (GAGAS 6.36, 6.38). Additionally, internal controls should ensure reconciliation of revenue sources to general ledger balances.

CAUSE: The Village did not have adequate procedures in place to reconcile fines collected to amounts recorded in the general ledger, and supporting documentation was not retained or available for audit.

EFFECT: The Village's general ledger understates fines revenue by a material amount, resulting in a modified "except for" audit opinion due to a scope limitation. Lack of support also indicates a weakness in internal controls over revenue.

RECOMMENDATION: The Village should implement procedures to reconcile fines revenue monthly and retain sufficient documentation to support all revenue recorded. Internal controls should ensure all fines collected are properly accounted for and deposited.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN: Management concurs. The Village will implement procedures to reconcile fines collections to the general ledger monthly and ensure that all documentation is retained. Staff will receive training on proper documentation and reconciliation procedures.

B. Compliance

2024-008 Citation Fees Collections

Fiscal year finding initially occurred: 2021.

CONDITION: The Village did not collect fees required under various state statutes related to traffic citations.

CRITERIA: Various Louisiana state statutes.

CAUSE: The Village has not implemented procedures to ensure appropriate traffic citation fees are assessed on applicable traffic citations in accordance with various state statutes.

EFFECT: The Village has not implemented procedures to ensure appropriate traffic citation fees are assessed on applicable traffic citations in accordance with various state statutes.

RECOMMENDATION: The Village should ensure that all traffic citation fees are assessed, collected, and remitted in accordance with all applicable state statutes.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Village has implemented policies and procedures along with software enhancements to ensure that all traffic citation fees are properly assessed, collected, and remitted in accordance with all applicable state statutes.

2024-009 Untimely Disbursement of Federal Fund

CONDITION: Federal funds received by the Village of Hessmer were not disbursed within three business days of receipt. The funds remained in the Village's bank account for an extended period before being used for allowable program purposes.

CRITERIA: In accordance with 2 CFR §200.305(b)(1), when a non-Federal entity receives advance payments of federal awards, the entity must minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement of those funds by the entity for program purposes. Generally, federal funds should be disbursed within three business days of receipt to avoid earning interest on federal advances.

CAUSE: The delay in disbursement was due to insufficient familiarity with federal cash management requirements. The Village did not have formal written procedures in place to ensure compliance with the three-day rule for disbursing federal funds.

EFFECT: Failure to disburse federal funds in a timely manner may result in noncompliance with federal regulations and could subject the Village to potential penalties or repayment of interest earned on federal funds. It also increases the risk of funds being misused or reallocated for non-program purposes.

RECOMMENDATION: We recommend that the Village implement formal written cash management procedures to ensure federal funds are disbursed within three business days of receipt. Training should be provided to personnel responsible for grant administration to ensure awareness of and compliance with federal requirements.

MANAGEMENT'S CORRECTION ACTION PLAN: Management concurs with the finding. The Village will develop and implement written procedures to ensure federal funds are disbursed within the required three business days. The Village Clerk and the contract accountant will receive training on federal cash management regulations. These procedures will be implemented before the receipt of any future federal funds.

2024-010 Failure to Remit Outstanding Checks to Unclaimed Property

CONDITION: The Village of Hessmer has not remitted outstanding checks to the Louisiana Department of the Treasury in accordance with unclaimed property laws. Several checks have remained uncashed without being reported or turned over as required.

CRITERIA: Louisiana Revised Statute R.S. 9:154 requires that outstanding checks and similar items that remain unclaimed for a statutory period (generally three years) be reported and remitted to the Louisiana Unclaimed Property Division.

CAUSE: The Village does not have adequate procedures in place to identify and report unclaimed checks in compliance with state requirements.

EFFECT: Failure to remit unclaimed property may result in noncompliance with state law and potential penalties. It also reduced transparency and accountability in handling public funds.

RECOMMENDATION: We recommend the Village review outstanding checks on an annual basis, determine those eligible for escheatment, and timely report and remit unclaimed property to the Louisiana Department of the Treasury in accordance with applicable law.

MANAGEMENT’S CORRECTION ACTION PLAN: Management agrees with the finding. The Village will implement procedures to review outstanding checks annually and identify those that meet the criteria for unclaimed property reporting. A listing of outstanding old checks will be compiled and submitted to the Louisiana Department of the Treasury by the required deadline. Going forward, the Village Clerk will maintain a calendar reminder to ensure annual compliance with unclaimed property reporting requirements.

2024-010 Late Filing of Annual Report

CONDITION: The Village of Hessmer did not submit its audited annual financial statements to the Louisiana Legislative Auditor (LLA) by the required deadline. The report for the fiscal year ended August 31, 2024, was due by February 28, 2025, but was not submitted until May 30, 2025.

CRITERIA: Louisiana Revised Statute (R.S.) 24:513 requires local auditees to submit their annual financial reports to the LLA within six months of the close of their fiscal year. Timely submission is essential for the LLA’s oversight and for public transparency and accountability.

CAUSE: The delay was primarily due to a change in both the Village’s administration and audit firm, first-year audit engagement requirements under GAGAS, and additional time needed to investigate a material variance in police fine revenues. These factors collectively delayed the audit timeline and submission of the financial report.

EFFECT: Failure to submit the report timely could result in noncompliance with state law, delays in access to state or federal funding, and reduced public trust in the Village’s financial accountability.

RECOMMENDATION: We recommend that the Village implement procedures to ensure timely submission of all necessary documentation and improve year-end closing processes to support the timely completion and filing of the annual report.

MANAGEMENT’S CORRECTIVE ACTION PLAN: Management acknowledges the delay and will implement a checklist and calendar to track required year-end documentation. The Village will coordinate closely with staff and external parties to ensure timely delivery of all documents needed for the audit in order to meet future filing deadlines.

Village of Hessmer
Hessmer, Louisiana

Statewide Agreed-Upon Procedures Report

Fiscal Period September 1, 2023 through August 31, 2024

To the Board Members
Village of Hessmer
Hessmer, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2023 through August 31, 2024. The management is responsible for those C/C areas identified in the SAUPs.

The Village of Hessmer has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period September 1, 2023 through August 31, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i) **Budgeting**, including preparing, monitoring, and amending the budget.
 - ii) **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.
 - iii) **Disbursements**, including processing, reviewing, and approving.
 - iv) **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).
 - v) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - vi) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- vii) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii) **Credit Cards (and debit cards, fuel cards, purchase 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).
- ix) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

2) **Board or Finance Committee**

- A. Obtain and inspect 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
 - i) Observe 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.
 - ii) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-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.*
 - iii) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.
 - iv) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

3) Bank Reconciliations

- A. Obtain a listing of entity 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 each selected account, and observe that:
- i) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii) Bank reconciliations include written 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 (e.g., initialed and dated, electronically logged); and
 - iii) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

4) Collections (excluding electronic funds transfers)

- A. Obtain 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 select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
- i) Employees responsible for cash collections do not share cash drawers/registers;
 - ii) Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii) Each employee responsible for collecting cash is not also 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; and
 - iv) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternatively, 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. Obtain supporting documentation for each of the 10 deposits and:

- i) Observe that receipts are sequentially pre-numbered.
- ii) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii) Trace the deposit slip total to the actual deposit per the bank statement.
- iv) Observe 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 and the cash is stored securely in a locked safe or drawer).
- v) Trace the actual deposit per the bank statement to the general ledger.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
- i) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii) At least two employees are involved in processing and approving payments to vendors;
 - iii) 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;
 - iv) 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; and
 - v) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i) Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i) Observe whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii) Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe 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). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

- A. Obtain 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 select 5 reimbursements and obtain 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
- i)* If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii)* If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii)* Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv)* Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

8) Contracts

- A. Obtain 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. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
- i)* Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii)* Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii)* If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv)* Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- i) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii) Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i) Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii) Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
 - iii) Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree

actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe 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.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - i) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements as follows:
 - Hired before June 9, 2020 – completed the training; and
 - Hired on or after June 9, 2020 – completed the training within 30 days of initial service of employment.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i) Number and percentage of public servants in the agency who have completed the training requirements;
 - ii) Number of sexual harassment complaints received by the agency;
 - iii) Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v) Amount of time it took to resolve each complaint.

Findings:

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

Written policies:

The Village of Hessmer, Louisiana did not have written policies and procedures addressing the following:

- ***Budgeting***, including, monitoring, and amending the budget.
- ***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.
- ***Payroll/Personnel***, including (1) payroll processing and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- ***Contracting***, including (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- ***Travel and expense reimbursement***, including (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- ***Ethics***, including, (2) actions to be taken if an ethics violation takes place,
- ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements.

- **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- **Sexual Harassment**, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee:

Of the twelve board meetings, none of the minutes referenced budget-to-actual comparisons.

Bank Reconciliations:

Five of five reconciliations did not include evidence that a member (with no involvement in the transaction associated with the bank accounts) has reviewed each bank reconciliation.

Three of five reconciliations did not show evidence of researching items outstanding longer than twelve months.

Cash Collections:

Cash collection drawers are shared amongst employees.

Employees who are responsible for cash collections are also responsible for preparing and making bank deposits.

Non-payroll Disbursements:

Two employees are not involved in initiating a purchase request, approving a purchase request, and placing and order/making the purchase.

There is no policy in place prohibiting employees responsible for processing payments from adding/modifying vendor files.

Employees authorized to sign checks are also responsible for processing payments and mailing the payments.

Disbursement documentation did not include segregation of duties.

Credit/Debit/Fuel/Purchasing Cards:

There was no evidence that monthly statements and supporting documentation were reviewed and approved in writing by someone other than the authorized card holder.

Payroll and Personnel:

Two of five employees selected for testing did not have documentation of daily attendance and leave.

Two of five employees selected for testing did not have supervisor approval of their timesheet.

Ethics:

Five of five employees selected for testing did not have valid documentation to demonstrate that the employees completed one hour of ethics training during the period.

Fraud Notice:

The Village did not have the fraud notice as required by R.S. 24:523.1 posted on its premises.

Information Technology Disaster Recovery:

We performed the procedure and discussed the results with management.

Sexual Harassment:

Five of five employees selected for testing did not have valid sexual harassment training documentation to support that the employees completed at least one hour of sexual harassment training.

The Village did not prepare an annual sexual harassment report as required by R.S. 42:344.

Management's Response:

The management of the Village of Hessmer concurs with the exceptions and has been and is currently working to address the matters identified. Management continues to develop and adopt policies and procedures for the Village of Hessmer and in particular for those policy areas listed above.

We were engaged by Village of Hessmer to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the Village of Hessmer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Ducote & Company

Certified Public Accountants

Marksville, Louisiana

May 30, 2025