

2391

Village of Hodge  
Hodge, Louisiana

Annual Financial Statements  
With Independent Auditor's Report

As of and For the Year Ended  
June 30, 2012  
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 08 2013

**KENNETH D. FOLDEN & CO.**

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Village of Hodge, Louisiana  
Annual Financial Statements  
With Independent Auditor's Report

As of and For the Year Ended June 30, 2012  
With Supplemental Information Schedules

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As of and For the Year Ended June 30, 2012  
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### Independent Auditor's Report

Village of Hodge  
Hodge, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hodge as of June 30, 2012, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Hodge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Hodge as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of the Village of Hodge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison information on pages 6 through 11 and page 39, respectively, are not a required part of the basic financial statements but are supplementary information required by U. S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hodge's basic financial statements. The supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kenneth D. Felden & Co., CPAs*

October 31, 2012  
Jonesboro, Louisiana

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART I**

Village of Hodge  
Hodge, Louisiana

Management's Discussion and Analysis  
As of and For the Year Ended June 30, 2012

As Management of the Village of Hodge, we offer readers of the Village of Hodge's financial statements this narrative overview and analysis of the financial activities of the Village of Hodge as of and for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Village's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Village of Hodge's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad view of the Village of Hodge's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Hodge assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Hodge is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 14 - 15 of this report.

**Fund financial statements.** The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Hodge maintains one individual governmental fund. Information as of and for the year ended June 30, 2012, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The Village of Hodge adopts an annual appropriated budget for the General Fund. A budgetary comparison statement is provided for the major funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 17 - 20 of this report.

**Proprietary funds.** The Village maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses its enterprise funds to account for its sewer and water and solid waste operations.

Proprietary funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements. The proprietary funds financial statements provide separate information for all of the enterprise funds, which are considered to be major funds of the Village.

The proprietary fund financial statements can be found on pages 21 - 23 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 36 of this report.

**Supplemental information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the Village of Hodge's compliance with budgets for its major funds. Also, other supplemental information schedules are included in the report.

## FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at June 30, 2012 by \$2,327,890.
- The Village's net assets increased by \$166,225. The net assets of the governmental activities increased by \$133,146 from operations, the net assets of the business-type activities increased by \$33,080.
- At June 30, 2012, the Village's governmental funds reported total ending fund balances of \$637,917, an increase of \$176,198, from June 30, 2011. The entire balance is available for spending at the Village's discretion (unassigned fund balance).

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 696,582	\$ 475,988	\$ 219,927	\$ 165,015	\$ 916,509	\$ 641,003
Capital assets, net	850,120	893,172	668,825	690,804	1,518,945	1,583,976
<b>Total Assets</b>	<b>1,546,702</b>	<b>1,369,160</b>	<b>888,752</b>	<b>855,819</b>	<b>2,435,454</b>	<b>2,224,979</b>
Current and other liabilities	58,665	14,269	48,899	455	107,564	14,724
Long-term liabilities	-	-	-	48,591	-	48,591
<b>Total Liabilities</b>	<b>58,665</b>	<b>14,269</b>	<b>48,899</b>	<b>49,046</b>	<b>107,564</b>	<b>63,315</b>
Invested in capital assets, net of related debt	850,120	893,172	668,825	690,804	1,518,945	1,583,976
Restricted for debt service	-	-	-	-	-	-
Unrestricted	637,917	461,719	171,028	115,969	808,945	577,688
<b>Total Net Assets</b>	<b>\$ 1,488,037</b>	<b>\$ 1,354,891</b>	<b>\$ 839,853</b>	<b>\$ 806,773</b>	<b>\$ 2,327,890</b>	<b>\$ 2,161,664</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets of the Village of Hodge exceeded liabilities by \$2,327,890. A significant portion (65%) of the Village of Hodge's net assets reflects its investments in capital assets (e.g., land, building and improvements, and equipment, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending.

## Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 91,744	\$ 72,030	\$ 50,377	\$ 49,601	\$ 142,121	\$ 121,631
<b>General Revenues:</b>						
<b>Taxes:</b>						
Ad valorem	127,737	136,067	-	-	127,737	136,067
Sales taxes	669,205	442,298	-	-	669,205	442,298
Franchise tax	2,194	2,470	-	-	2,194	2,470
Other taxes	-	-	-	-	-	-
Licenses and permits	23,295	21,584	-	-	23,295	21,584
Fines, forfeitures and court costs	47,142	49,837	-	-	47,142	49,837
Intergovernmental	18,746	23,363	-	-	18,746	23,363
Interest earnings	453	687	245	301	698	988
Grants	2,447	57,468	11,655	-	14,102	57,468
Miscellaneous	5,567	10,298	120	225	5,687	10,523
<b>Total revenues</b>	<b>988,530</b>	<b>816,102</b>	<b>62,397</b>	<b>50,127</b>	<b>1,050,927</b>	<b>866,229</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	156,184	247,079	-	-	156,184	247,079
Public safety	327,695	255,359	-	-	327,695	255,359
Sanitation	12,920	8,471	-	-	12,920	8,471
Highways and streets	300,626	238,019	-	-	300,626	238,019
Service to others	21,276	1,800	-	-	21,276	1,800
Utility	-	-	66,001	53,027	66,001	53,027
<b>Total expenditures</b>	<b>818,701</b>	<b>750,728</b>	<b>66,001</b>	<b>53,027</b>	<b>884,702</b>	<b>803,755</b>
<b>Excess (Deficiency) of revenues over expenses</b>	<b>169,829</b>	<b>65,374</b>	<b>(3,604)</b>	<b>(2,900)</b>	<b>166,225</b>	<b>62,474</b>
Capital contributions	-	-	-	-	-	-
Operating transfers	(36,682)	(36,596)	36,682	36,596	-	-
<b>Change in Net Assets</b>	<b>133,147</b>	<b>28,778</b>	<b>33,078</b>	<b>33,696</b>	<b>166,225</b>	<b>62,474</b>
Net Assets, beginning	1,354,890	1,326,112	806,773	773,077	2,161,663	2,099,189
<b>Net Assets, ending</b>	<b>\$ 1,488,037</b>	<b>\$ 1,354,890</b>	<b>\$ 839,851</b>	<b>\$ 806,773</b>	<b>\$ 2,327,888</b>	<b>\$ 2,161,663</b>

**Governmental activities.** The most significant revenues of the governmental activities are sales taxes (68%), ad valorem taxes (13%), charges for services (9%), and fines and forfeitures (4%).

Public safety expenses are the most significant (40%) of all governmental activities expenses, followed by highways and streets expenses (37%) and general government expense (19%) Depreciation expense is included in these amounts.

Governmental activities revenues increased by \$172,428 in the current year as compared to the prior year. The increase was primarily attributable to an increase in sales tax of \$226,907 and an increase in charges for services of \$19,714, offset by an decrease in grant revenue of \$55,021 a decrease in ad valorem taxes of \$8,330, a decrease in miscellaneous revenue of \$4,617, and a decrease in intergovernmental revenue of \$4,617.

Governmental activities expenses increased by \$66,643 in the current year as compared to the prior year. The increase was primarily attributable to an increase in public safety expense of \$72,336, an increase in highways and streets expense of \$61,277, an increase in service to others expense of \$19,476, and an increase in sanitation expense of \$4,449, offset by a decrease in general government expense of \$90,895.

**Business-type activities.** The operations of the business-type activities increased the Village's net assets by \$33,078. The business-type expenses exceeded the business-type revenues by \$3,604.

## **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Governmental funds.** As of June 30, 2012, the combined governmental fund balances of \$637,917 reflect an increase of \$176,198 from June 30, 2011. The entire fund balance is unassigned, which is considered available for appropriation.

The increases in the revenues and expenses of the governmental funds were described in the above Government-Wide Financial Analysis section.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund's net assets increased by \$33,078 in the current year. The increase was primarily due to a transfer from other fund of \$36,682.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund final actual revenues exceeded budgeted revenue by \$309,178, which resulted primarily from an increase in sales and use tax of \$269,205 and an increase in garbage fees of \$33,134. General Fund final budgeted expenses were less than actual expenses by \$138,851, due primarily to actual services to related party expense being lower than budgeted expense and actual capital outlay expense being lower than budgeted expense.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** As of June 30, 2012, the Village of Hodge's investment in capital assets for its governmental activities amounts to \$850,120 (net of accumulated depreciation), and its investment in capital assets for its business-type activities amounts to \$668,825 (net of accumulated depreciation). This investment includes land, buildings and improvements, furniture, and equipment.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The fiscal year 2012-2013 budget is forecast to provide \$758,950 in revenues and \$129,600 in estimated surplus to fund costs of \$888,550.

Capital outlay is budgeted in the amount of \$97,000.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village of Hodge's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Zip Schmidt, City Clerk, 1711 Main Street, Hodge, Louisiana 71247.

# **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

Village of Hodge  
Hodge, Louisiana

Statement of Net Assets  
As of June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 513,565	\$ 166,034	\$ 679,599
Accounts Receivable	183,017	4,079	187,096
Due from HUOC	-	1,320	1,320
Cash and equivalents-restricted	-	48,494	48,494
Capital assets (net of acc depr)	850,120	668,825	1,518,946
<b>TOTAL ASSETS</b>	<u>\$ 1,546,702</u>	<u>\$ 888,752</u>	<u>\$ 2,435,454</u>
<b>LIABILITIES</b>			
Accounts, salaries, and other payables	\$ 53,244	\$ 1,678	\$ 54,922
Due to HUOC	-	50	50
Accrued liabilities	5,421	-	5,421
Current liabilities payable from restricted assets - customer security deposits	-	47,171	47,171
<b>TOTAL LIABILITIES</b>	<u>58,665</u>	<u>48,899</u>	<u>107,564</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	850,120	668,825	1,518,946
Unrestricted	637,917	171,028	808,944
<b>TOTAL NET ASSETS</b>	<u>\$ 1,488,037</u>	<u>\$ 839,853</u>	<u>\$ 2,327,890</u>

The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Hodge, Louisiana

Statement of Activities  
For the Year Ended June 30, 2012

EXPENSES	MAJOR FUNDS			Net (Expense) Revenue and Changes in Net Assets		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>						
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 156,184	\$ -	\$ -	\$ -	\$ (156,184)	\$ (156,184)
Fire	19,131	-	-	-	(19,131)	(19,131)
Police	308,564	47,142	-	2,447	(258,976)	(258,976)
Sanitation	12,920	33,134	-	-	20,214	20,214
Highways and Streets	300,625	2,352	-	-	(298,273)	(298,273)
Services to Related Party	21,276	56,258	-	-	34,982	34,982
Total governmental activities	<u>818,701</u>	<u>138,885</u>	<u>-</u>	<u>2,447</u>	<u>(677,368)</u>	<u>(677,368)</u>
Business-type activities:						
Water and Sewer	66,001	50,377	-	11,655	-	(3,969)
Total primary government	<u>\$ 884,701</u>	<u>\$ 189,262</u>	<u>\$ -</u>	<u>\$ 14,102</u>	<u>(677,368)</u>	<u>(3,969)</u>
GENERAL REVENUES						
Taxes:						
Property taxes, levied for general purposes				127,737	-	127,737
Sales taxes				669,205	-	669,205
Franchise				2,194	-	2,194
License				23,295	-	23,295
Investment earnings				453	245	698
Other revenue				24,313	120	24,434
Operating transfers				(36,682)	36,682	-
Total general revenues and transfers				<u>810,514</u>	<u>37,048</u>	<u>847,562</u>
Change in net assets				133,146	33,079	166,225
Net assets - Beginning				1,354,892	806,774	2,161,665
Net assets - Ending				<u>\$ 1,488,037</u>	<u>\$ 839,853</u>	<u>\$ 2,327,890</u>

The accompanying notes are an integral part of these financial statements.

# **FUND FINANCIAL STATEMENTS**

Village of Hodge  
Hodge, Louisiana

Balance Sheet - Governmental Funds  
As of June 30, 2012

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 513,565
Receivables, net	<u>183,017</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 696,581</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payables	\$ 53,244
Accrued expenses	<u>5,421</u>
<b>TOTAL LIABILITIES</b>	<u>58,665</u>
 Fund Balances:	
Committed for LGAP grant	35,000
Unassigned	<u>602,917</u>
<b>TOTAL FUND BALANCE</b>	<u>637,917</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <u><u>\$ 696,581</u></u>

The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Hodge, LouisianaReconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
For the Year Ended June 30, 2012

Total Fund Balances at June 30, 2012 - Governmental Funds	\$ 637,917
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.	<u>850,120</u>
Net Assets at June 30, 2012	<u>\$ 1,488,037</u>

The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Hodge, Louisiana

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental  
For the Year Ended June 30, 2012

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes:	
Ad Valorem	\$ 127,737
Sales and Use	669,205
Franchise Tax	2,194
Licenses and permits	23,295
Intergovernmental:	
Right-of-Way Maintenance	2,610
Fire Insurance Rebate	2,836
Police Supplemental Pay	13,000
Police Grant	2,447
Witness Fee	300
Fines and forfeitures	47,142
Charges for services:	
Connection Fees	927
Garbage Fees	33,134
Services to Related Party	56,258
Interest earnings	453
Other Revenues:	
Royalties	10
Miscellaneous	6,982
<b>TOTAL REVENUES</b>	<b>988,528</b>
 <b>EXPENDITURES</b>	
General government	151,060
Police	293,697
Fire	18,453
Streets	244,026
Sanitation	12,739
Services to Related Party	21,276
Capital outlay	34,397
<b>TOTAL EXPENDITURES</b>	<b>775,649</b>
 <b>EXCESS (Deficiency) OF REVENUES</b>	
<b>Over(Under) Expenditures</b>	<b>212,880</b>
Operating transfers in	11,655
Operating transfers out	(48,337)
Total other financing sources (uses)	(36,682)
<b>NET CHANGES IN FUND BALANCES</b>	<b>176,198</b>
<b>FUND BALANCES - June 30, 2011</b>	<b>461,719</b>
<b>FUND BALANCES - June 30, 2012</b>	<b>\$ 637,917</b>

The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Hodge, LouisianaReconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2012

Total net change in fund balances - governmental funds (Statement E)	\$ 176,198
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Amounts reported for governmental activities in the Statement  
of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the period.	(43,052)
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Change in net assets of governmental activities (Statement B)	<u>\$ 133,146</u>
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The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Village of Hodge, Louisiana

Statement of Net Assets - Proprietary Fund  
As of June 30, 2012

	<b>Water &amp; Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and equivalents	\$ 166,034
Receivables (net of allowances for uncollectibles)	4,079
Due from HUOC	1,320
Total Current Assets	171,433
Noncurrent Assets:	
Restricted Assets	
Cash - Customers Deposits	48,494
Capital Assets - Net of Accumulated Depreciation	668,825
Total Non-Current Assets	717,320
Total Assets	888,752
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 1,678
Due to HUOC	50
Total Current Liabilities	1,728
Current Liabilities payable from restricted assets - tenant security deposits	47,171
Non-Current Liabilities:	
Total Non-Current Liabilities	-
Total Liabilities	48,899
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	668,825
Unrestricted	171,028
Total Net Assets	\$ 839,853

The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Hodge, Louisiana

Statement of Revenues, Expenses, and Changes in Fund Balances  
For the Year Ended June 30, 2012

	<u>Water &amp; Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Water sales	\$ 27,170
Sewer fees	23,127
Miscellaneous	200
Total operating revenues	<u>50,497</u>
<b>OPERATING EXPENDITURES</b>	
Depreciation	35,282
Insurance	6,233
Miscellaneous	94
Operations and maintenance of system	21,135
Outside services	2,402
Safe drinking water fee	855
Total operating expenses	<u>66,001</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(15,503)</u>
<b>NON-OPERATING REVENUES (EXPENDITURES)</b>	
Interest earnings	245
State grant	11,655
Total non-operating revenues (expenditures)	<u>11,900</u>
Income (loss) before contributions and transfers	<u>(3,603)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Operating transfers in	48,337
Operating transfers out	(11,655)
Net operating transfers	<u>36,682</u>
<b>CHANGES IN NET ASSETS</b>	33,079
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>806,774</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 839,853</u>

The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Hodge, Louisiana

Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2012

	<u>Water &amp; Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 54,033
Cash payments to suppliers for goods and services	(24,282)
Cash payments received from (paid to) HUOC	<u>(11,461)</u>
Net cash provided by (used for) operating activities	<u>18,290</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>	
State grant	11,655
Transfers from other funds	48,337
Transfer to other funds	<u>(11,655)</u>
Net cash provided by noncapital financing activities	<u>48,337</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(13,303)</u>
Net cash used for capital and related financing activities	<u>(13,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings	<u>245</u>
Net cash provided by (used for) investing activities	<u>245</u>
Net increase (decrease) in cash and cash equivalents	53,569
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>	<u>160,959</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 214,529</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET PROVIDED BY OPERATION ACTIVITIES</b>	
Operating income (loss)	\$ (15,503)
Adjustments	
Depreciation	35,282
Net changes in assets and liabilities:	
Accounts receivable	(24)
Residents' security deposits	(1,419)
Accounts payable	(96)
Due to HUOC	<u>50</u>
Net cash provided by (used for) operating activities	<u>\$ 18,289</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE  
FINANCIAL STATEMENTS**

Village of Hodge  
Hodge, Louisiana

Notes to the Financial Statements  
As of and For the Year Ended June 30, 2012

**INTRODUCTION**

The Village of Hodge, Louisiana (Village), was incorporated January 31, 1928, under the provisions of the Lawrason Act. The Village operates under the Mayor-Board of Aldermen form of government with three aldermen. Services provided by the Village include police protection, fire protection, sanitation, services to others, and street maintenance. The Village also operates a water distribution system and sewer system for about 300 customers. The Village is located in Jackson Parish, Louisiana.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying basic financial statements of the Village have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14 and No. 39, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Component units can be identified by financial accountability and whether exclusion would create misleading or incomplete financial statements. Based on the criteria established in GASB Statement No. 14 and No. 39, the Village of Hodge Combined Utility System (System) is determined not to be a component unit of the Village of Hodge. The System is operated and managed by the Hodge Utility Operating Company (HUOC) according to the terms and conditions of an operating agreement. RockTenn Company has guaranteed all obligations of the System in exchange for sole use of the System's property, plant, and equipment. The Village of Hodge cannot significantly influence the operations of the System, nor is there a financial benefit or burden relationship between the Village and the System. No component units were identified for the Village of Hodge.

**C. Funds**

The Village uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. Funds of the Village are classified into two categories: governmental and proprietary, as follows,

## *Governmental Funds*

Governmental funds account for most of the Village's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated resources which may be used to finance future period programs or operations of the Village. According to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance can be classified as non-spendable, restricted, committed, assigned, and unassigned. Non-spendable funds are typically noncash or prepaid items that are identified as a part of fund balance, but they are not available to be expended. Spendable items include restricted, committed, assigned, and unassigned funds. The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (Ordinances and Resolutions) of the government's highest level of decision-making authority (Village Board of Aldermen). Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Undesignated excess Fund Balances may be assigned by the Village Board of Aldermen for specific purposes through the budget process or agenda items. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. The following are the Village's primary governmental funds:

**General Fund** - This fund is the primary operating fund of the Village, and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Village policy.

## *Proprietary Funds*

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed 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 purpose.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

## **D. Measurement Focus/Basis of Accounting**

### *Government-Wide Financial Statements (GWFS)*

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the Village.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-

like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

**Program Revenues** - Program revenues included in the Statement of Activities (Statement B) derive directly 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.

**Direct Expenses** - The Village reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function.

#### *Fund Financial Statements (FFS)*

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. As of and for the year ended June 30, 2012 the general fund is considered to be the only major fund and is reported in the Balance Sheet (Statement C) and in the Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement E).

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

#### *Revenues*

Those revenues susceptible to accrual are property taxes, franchise taxes, and charges for services. Fines, permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are

recorded when earned and expenses are recorded at the time liabilities are incurred.

Interest earnings are recorded when the investments have matured and the interest is available.

#### *Expenditures*

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Compensated absences are recognized as expenditures when leave is actually taken or when employees, or their heirs, are paid for accrued leave upon retirement or death.

Principal and interest on long-term debt are recognized when due.

#### *Other Financing Sources (Uses)*

Transfers between funds that are not expected to be repaid, sales of fixed assets, and long-term debt proceeds and payments, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

### **E. Budgets**

The Mayor prepares a proposed budget and submits it to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level. The Village utilizes formal budgetary integration as a management control device for the general fund, and appropriations lapse at the end of the fiscal year.

The 2011-2012 general fund budget was published in the official journal and made available for public inspection. A public hearing for the proposed budget was held on June 28, 2011 and the budget was adopted by the mayor and board of aldermen. There were no amendments made to the budget.

### **F. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**G. Investments**

Investments are limited by R.S. 33:2955 and the Village's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**H. Interfund Receivables/Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns in the GWFS, but are not reported in the FFS. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Water and Sewer Systems	10-40 years
Machinery and Equipment	5-15 years
Improvements other than Buildings	20 years
Infrastructure - Asphalt Streets	20 years

General infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

**J. Accounts Payable**

Of the \$54,922 total accounts, salaries and other payables reported on the balance sheet, \$3,545 represents amounts payable to employees for salaries payable. The balance of \$51,377 is due vendors for various operating services and materials, and to taxing authorities for payroll tax withholdings.

**K. Compensated Absences**

Employees earn either one, two, or three weeks of vacation time each year, depending upon years of service. Employees earn seven days to six weeks of sick leave each year. Vacation and sick leave cannot be accumulated.

## **L. Restricted Assets**

Restricted assets represent resources that must be expended in a specific manner. The "customers' deposits" account is used to report proceeds from customers' meter deposits. A corresponding liability is presented to record these funds held by the enterprise fund. In situations where it is permissible to spend restricted resources, the Village typically depletes the available restricted resources before consuming unrestricted resources.

## **M. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation as non-spendable. Restricted fund balances are legally restricted by outside parties, purposes stipulated by constitution, or through enabling legislation for use for a specific purpose. Committed fund balances include amounts that can only be used for a specific purpose determined by a formal action of the government's highest level of decision-making authority. Assigned fund balances are intended to be used by the Village for a specific purpose but do not meet the criteria for restricted or committed classification. Unassigned fund balances are the residual classification for the Village's General Fund and include all spendable amounts not designated as restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted (includes committed, assigned or unassigned) fund balance is available, the Village considers restricted funds to have been spent first.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Aldermen has provided otherwise in its commitment or assignment actions.

## **N. Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

## **O. Estimates**

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

## **2. AD VALOREM TAX**

All trade and ad valorem tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and water and sewer revenue are recognized as bad debts through the establishment of an allowance account.

Ad valorem taxes are levied on a calendar year basis and become delinquent on December 31. The Village bills and collects its own ad valorem taxes. For the 2011 ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

6.90 mills for the general maintenance of the Village. This millage was approved by the Village Board of

Aldermen on June 7, 2011. This millage is the maximum millage that can be assessed without the approval of voters.

For the year ended June 30, 2012, taxes of \$127,737 were levied on property. There were no accounts receivable at June 30, 2012.

The following are the principal taxpayers and related ad valorem tax revenue for the Village:

Smurfit-Stone Container	\$ 106,910
Hodge Bank and Trust	3,001
DeLage Landen Operational Services	2,227
Kansas City Southern Railroad	1,001
Smurfit-Stone Forest Resource Division	956
Total	<u>\$ 114,096</u>

### 3. SALES TAX

The qualified electors of the Village of Hodge authorized a one cent sales and use tax levy to be dedicated and used for the purpose of providing funding for any lawful corporate purpose of the Village for an undefined period of time. The tax was first levied on December 1, 1983.

### 4. CASH AND CERTIFICATES OF DEPOSIT

At June 30, 2012, the Village had cash and restricted cash (book balances) totaling \$754,537.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

The Village maintains its cash accounts at Hodge Bank and Trust. The bank provides Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000 for all demand deposits. At June 30, 2012, the Village had \$754,537 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 federal deposit insurance and \$503,036 of pledged securities held by a custodial bank in the name of the fiscal agent bank.

5. RECEIVABLES

The receivables of \$187,096 at June 30, 2012, are as follows:

	Fund		Total
	General	Enterprise	
Customer	\$ 2,835	\$ 4,079	\$ 6,914
Employee	507	-	507
Franchise fees	313	-	313
HUOC	11,837	-	11,837
State-DOTD	1,305	-	1,305
Sales taxes	165,672	-	165,672
Other	547	-	547
	<u>\$ 183,017</u>	<u>\$ 4,079</u>	<u>\$ 187,096</u>

## 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012, is as follows:

### A. Capital Assets - Governmental Funds

	Balance, July			Balance, June
	1, 2011	Additions	Deletions	30, 2012
Capital assets not depreciated				
Land	\$ 59,291	\$ -	\$ -	\$ 59,291
Total capital assets not being depreciated	59,291	-	-	59,291
Capital Assets being Depreciated				
Buildings	246,783	-	-	246,783
Improvements other than buildings	917,140	-	-	917,140
Furniture	42,216	-	-	42,216
Equipment	64,435	10,510	-	74,945
Vehicles	552,858	23,887	-	576,745
Total Capital Assets being Depreciated	\$ 1,823,432	\$ 34,397	\$ -	\$ 1,857,829
Less Accumulated Depreciation				
Buildings	\$ 162,994	\$ 6,170	\$ -	\$ 169,164
Improvements other than buildings	262,879	43,208	-	306,087
Furniture	39,622	989	-	40,612
Equipment	55,005	4,254	-	59,259
Vehicles	469,050	22,828	-	491,878
Total Accumulated Depreciation	989,551	77,449	-	1,067,000
Capital Assets Net	\$ 833,881	\$ (43,052)	\$ -	\$ 790,829
Governmental Capital Assets - Net	\$ 893,172	\$ (43,052)	\$ -	\$ 850,120

#### Functional Allocation of Depreciation Expense

General Government	\$ 5,124
Fire	678
Police	14,867
Sanitation	181
Highways and Streets	56,599
Total	\$ 77,449

**B. Capital Assets - Proprietary Funds**

	Balance, July			Balance, June	
	1, 2011	Additions	Deletions	30, 2012	
Capital assets not depreciated.					
Land	\$ -	\$ -	\$ -	\$ -	
Construction in Progress	3,231	-	(3,231)	-	
Total capital assets not being depreciated	\$ 3,231	\$ -	\$ (3,231)	\$ -	
Other Capital Assets being Depreciated					
Water System	\$ 259,893	\$ 16,535	\$ -	\$ 276,428	
Sewer System	623,952	-	-	623,952	
Machinery and Equipment	57,277	-	-	57,277	
Total Capital Assets being Depreciated	\$ 941,122	\$ 16,535	\$ -	\$ 957,657	
Less Accumulated Depreciation					
Water System	\$ 108,947	\$ 8,389	\$ -	\$ 117,336	
Sewer System	97,656	24,894	-	122,550	
Machinery and Equipment	46,947	2,000	-	48,946	
Total Accumulated Depreciation	\$ 253,550	\$ 35,282	\$ -	\$ 288,832	
Capital Assets Net	\$ 687,572	\$ (18,747)	\$ -	\$ 668,825	
Business -Type Activities Capital Assets Net	\$ 690,804	\$ (18,747)	\$ (3,231)	\$ 668,825	

Depreciation expense was charged to functions as follows:

Business -type activities	
Water and Sewer	\$ 33,282
Machinery and Equipment	2,000
Total	\$ 35,282

**7. RETIREMENT**

**A. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA (SYSTEM)**

*Plan Description*

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Some of the employees of the Village of Hodge are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and certain elected municipal officials are eligible to participate in the System.

Under Plan B, employees can retire at any age with at least 30 years of creditable service or at age 60 with

a minimum of 10 years creditable service. Generally, the monthly amount of the retirement shall consist of an amount equal to 2% of the employee's final compensation multiplied by their years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publically available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810, or by visiting the System's website [www.mersla.com](http://www.mersla.com).

#### *Funding Policy*

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary and the Village of Hodge is required to contribute at an actuarially determined rate. The current rate is 8.00% of the annual covered payroll. Contributions to the System also include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village of Hodge are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year, equal to the required contributions for each year. The Village contributions to the System under Plan B for the year ending June 30, 2012 and June 30, 2011 were \$5,444 and \$6,133.

#### **8. RELATED PARTY TRANSACTIONS**

The Mayor and Mayor Pro-Tem serve on the Board of Directors of the Hodge Utility Operating Company (HUOC) along with six members appointed by RockTenn. HUOC operates and manages the water, sewerage, and electric generating facilities owned by the Village of Hodge Combined Utility System (another related party). HUOC is considered to be a related party. During the year ended June 30, 2012, revenues for franchise taxes, in lieu of taxes, and fees for services rendered were received by the general fund from HUOC in the amount of \$56,258 and expenses paid from the general fund to HUOC were \$21,276 for the year.

The Village provides various services to HUOC during the year, including the billing and collecting of electricity generated by HUOC for the Village's water and sewer customers. The amounts collected by the Village for HUOC are remitted to HUOC once a week. At June 30, 2012, the Village had remitted all but \$50 due to HUOC.

**9. COMMITMENTS**

The Village of Hodge received approval of a \$15,000 Local Government Assistance Program grant for the construction of a new Filter House for the protection of water wells and chlorine controls. The construction of the building was completed on February 27, 2012. In addition, the Jackson Parish Police Jury bought a trailer for the Police Department that was purchased on December 9, 2011.

**10. RISK MANAGEMENT AND ECONOMIC DEPENDENCY**

The Village is exposed to various risk of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and injuries to employees. To handle such risk of loss, the Village of Hodge maintains commercial insurance policies covering automobile liability and uninsured motorists, surety bond coverage, flood insurance, and property insurance. In addition to the above policies, the Village maintains a general liability policy and an errors and omissions policy. No claims were paid on any of the policies during the past three years, which exceeded the policies' coverage amount.

The Village is economically dependent upon RockTenn Company, which provides the majority of property tax and sales tax revenue for the Village. There were no receivables at June 30, 2012, due from RockTenn Company.

**11. LITIGATION AND CLAIMS**

At June 30, 2012, the Village was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance at the end of the fiscal year.

**12. SUBSEQUENT EVENTS**

The Village of Hodge has evaluated subsequent events through the date that the financial statements were available to be issued, October 31, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART II**

Village of Hodge  
Hodge, Louisiana

Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2010

	Budget - Original/Final	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes			
Ad Valorem	\$ 135,000	\$ 127,737	\$ (7,263)
Sales and use	400,000	669,205	269,205
Franchise taxes	2,500	2,194	(306)
Licenses and permits	18,000	23,295	5,295
Intergovernmental			
Right-of-way maintenance	2,500	2,610	110
Fire insurance rebate	3,000	2,836	(164)
Parish Capital Grant	-	2,447	2,447
Police Supplemental Pay	24,000	13,000	(11,000)
Witness Fees	500	300	(200)
Fines and forfeitures	44,000	47,142	3,142
Charges for Services			
Connection Fees	500	927	427
Garbage Fees	-	33,134	33,134
Services to Related Party	45,000	56,258	11,258
Interest earnings	650	453	(197)
Other Revenues			
Rent	1,000	-	(1,000)
Royalties	-	10	10
Miscellaneous	2,700	6,982	4,282
<b>TOTAL REVENUES</b>	<u>679,350</u>	<u>988,528</u>	<u>309,178</u>
<b>EXPENDITURES</b>			
General government	250,950	151,060	99,890
Public safety			
Police	290,150	293,697	(3,547)
Fire	28,000	18,453	9,547
Streets	182,300	244,026	(61,726)
Sanitation	14,000	12,739	1,261
Services to Related Party	52,100	21,276	30,824
Capital outlay	97,000	34,397	62,603
<b>TOTAL EXPENDITURES</b>	<u>914,500</u>	<u>775,649</u>	<u>138,851</u>
<b>Excess(Deficiency) Revenues Over Expenditures</b>	<u>(235,150)</u>	<u>212,880</u>	<u>448,030</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	-	11,655	11,655
Operating transfers out	(60,000)	(48,337)	11,663
<b>Total Other Financing Sources (Uses)</b>	<u>(60,000)</u>	<u>(36,682)</u>	<u>23,318</u>
<b>Net Changes in Fund Balances</b>	<u>(295,150)</u>	<u>176,198</u>	<u>471,348</u>
<b>Fund Balances - June 30, 2011</b>	<u>461,719</u>	<u>461,719</u>	<u>-</u>
<b>Fund Balances - June 30, 2012</b>	<u>\$ 166,569</u>	<u>\$ 637,917</u>	<u>\$ 471,348</u>

The accompanying notes are an integral part of these financial statements.

Village of Hodge  
Hodge, Louisiana

Notes to the Budgetary Comparison Schedule  
For the Year Ended June 30, 2012

**NOTE 1 - BUDGETARY POLICIES**

A proposed budget for the general fund of the Village of Hodge is prepared on the modified accrual basis of accounting. The budget is legally adopted by the Village of Hodge and then amended during the year, as necessary. The budget is established and controlled at the object level of expenditures. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. The Village of Hodge authorizes all amendments to the budget. There were no amendments made to the original budget.

Formal budgetary integration is employed as a management control device during the year.

# Kenneth D. Folden & Co.

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Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

Village of Hodge  
Hodge, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Hodge, as of and for the year ended June 30, 2012, which collectively comprise the Village of Hodge's basic financial statements and have issued our report thereon dated October 31, 2012. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village of Hodge's internal control over financial reporting as a basis for designing our auditing procedures 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 Hodge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Hodge's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies in Village of Hodge's internal control and presented in the accompanying schedule of findings to this letter to be material weaknesses, as item 2012-1, item 2012-2, item 2012-3, item 2012-4, and item 2012-5.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Hodge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-6, item 2012-7, and item 2012-8.

The Village of Hodge's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Hodge's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Board of Aldermen of the Village of Hodge, management of the Village of Hodge, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kenneth D. Falden & Co., CPAs*

October 31, 2012  
Jonesboro, Louisiana

# **SUPPLEMENTAL INFORMATION**

Village of Hodge  
Hodge, Louisiana

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

We have audited the basic financial statements of the Village of Hodge as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2012 resulted in an unqualified opinion.

**A. SUMMARY OF AUDITOR'S REPORTS**

**Report on Internal Control and Compliance Material to Financial Statements**

Internal Control

Material Weaknesses \_\_\_Yes XNo      Significant Deficiencies XYes \_\_\_No

Current Year

**2012-1-Inadequate Separation of Duties**

Criteria: The Village of Hodge has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Recommendation: The Village of Hodge increase the clerical staff to allow adequate separation of duties.

Management Response: The Village has an accounting workload that can be easily managed by two employees (one full-time, one part-time). The hiring of employees to provide enhanced internal control does not appear to be the best use of the Village's resources.

**2012-2-Inadequate Controls over Preparation of Financial Statements**

Condition: Personnel for the Village of Hodge do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles that are in conformity with GAAP. However, they can understand the key issues identified, make any required management decisions, and fulfill the competency requirements, so that they can accept responsibility for the financial statements.

Recommendation: The Village of Hodge provide additional training to employees to increase technical financial knowledge.

Management Response: The Village has employees with the abilities to record cash receipts and disbursements, prepare adjusting entries, and prepare draft financial statements. However, there are times that they do not have the expertise to apply certain accounting principles. Providing employees with additional education does not appear to be the best use of the Village's resources, but the Village will encourage the employees to use technical assistance available.

### **2012-3-Inadequate Controls over Debit Card Purchases Procedure**

Criteria: Management is responsible for establishing and following internal control procedures that provide for proper accounting and reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Condition: The procedure documented for purchases with the Village debit card was not followed. Purchases should be supported by an invoice or receipt. In testing for invoices for debit card purchases, fifteen purchases were reviewed. Out of the fifteen, invoices or other supporting documentation was not found for eleven of the purchases. Additionally, the debit card was given to a police officer to use while at an out of town conference. The officer used the card to make personal purchases. The Village notified the Jackson Parish Sheriff of the actions of the officer, and the officer was arrested. The District Attorney was notified.

Cause: An adequate system for assuring compliance with the debit card purchases procedure was not in place.

Effect: Without the adequate system in place to assure compliance with the procedure, the Village is susceptible to errors and fraud in recording debit card purchases and is susceptible to the misappropriation of Village funds.

Recommendation: Our recommendation is that the system will be modified to assure compliance with the debit card purchases procedure.

Management Response: The Village will modify the current system to assure compliance with the debit card purchases procedure. The police officer making personal purchases was arrested, and the District Attorney was notified of the crime.

### **2012-4-Inadequate Controls to Ensure Compliance with Code of Ethics Law for Public Officials and Public Employees**

Criteria: Management is responsible for establishing internal control policies and procedures that provide for compliance with applicable state laws including the Code of Ethics Law for Public Officials and Public Employees.

Condition: During the audit period, the Village undertook a transaction with an Alderman's family member and employed an Alderman's family member. These events caused the Village to be noncompliant with state law.

Cause: An adequate system for assuring compliance with the Code of Ethics Law Public Officials and Public Employees was not in place.

Effect: Without the adequate system in place to ensure compliance with the law, the Village could make decisions that violate state law.

**Recommendation:** The system should be modified to ensure that the Village follows the law regarding the Code of Ethics.

**Management Response:** The Village of Hodge will modify the current system to ensure that the Village follows the law.

**2012-5-Inadequate Controls to Ensure Compliance with Fiscal Agency and Cash Management Laws**

**Criteria:** Management is responsible for establishing internal control policies and procedures that provide for compliance with applicable state laws including the Fiscal Agency and Cash Management Laws.

**Condition:** During the audit period, the pledged securities of the Village were less than the deposits held by the Village.

**Cause:** An adequate system for assuring compliance with the Fiscal Agency and Cash Management Laws was not in place.

**Effect:** Without the adequate system in place to ensure compliance with the law, the Village could make decisions that violate state law.

**Recommendation:** The system should be modified to ensure that the Village follows the law regarding the Fiscal Agency and Cash Management Laws.

**Management Response:** The Village of Hodge will modify the current system to ensure that the Village follows the law.

**Prior Year**

**2011-1-Inadequate Separation of Duties**

**Criteria:** The Village of Hodge has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

**Recommendation:** The Village of Hodge increase the clerical staff to allow adequate separation of duties.

**Management Response:** The Village has an accounting workload that can be easily managed by two employees (one full-time, one part-time). The hiring of employees to provide enhanced internal control does not appear to be the best use of the Village's resources.

**2011-2-Inadequate Controls over Preparation of Financial Statements**

**Condition:** Personnel for the Village of Hodge do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles that are in conformity with GAAP. However, they can understand the key issues identified, make any required management decisions, and fulfill the competency requirements, so that they can accept responsibility for the financial statements.

**Recommendation:** The Village of Hodge provide additional training to employees to increase technical financial knowledge.

Management Response: The Village has employees with the abilities to record cash receipts and disbursements, prepare adjusting entries, and prepare draft financial statements. However, there are times that they do not have the expertise to apply certain accounting principles. Providing employees with additional education does not appear to be the best use of the Village's resources, but the Village will encourage the employees to use technical assistance available.

### Compliance

Compliance Material to Financial Statements  Yes  No

#### Current Year

##### **2012-6-Compliance with Code of Ethics Law for Public Officials and Public Employees**

Criteria: Louisiana Revised Statute (RS) 42:1119 states that no member of the immediate family of a member of a governing authority shall be employed by the governmental entity.

Condition: During the year ended June 30, 2012, an immediate family member of an Alderman was employed by the Village of Hodge in the Police Department for upkeep of the Dog Pound. He was employed for the first six months of the audit period.

Effect: The Village of Hodge was in violation of Louisiana RS on the Code of Ethics Law for Public Officials and Public Employees.

Recommendation: The Village should not employ immediate family members of the Board of Aldermen, and the employment should be terminated.

Management Response: The Village of Hodge no longer employs this immediate family member.

##### **2012-7-Compliance with Code of Ethics Law for Public Officials and Public Employees**

Criteria: Louisiana Revised Statute (RS) 42:1112 states that no public servant shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any member of his immediate family has a substantial economic interest.

Condition: During the year ended June 30, 2012, the Village of Hodge Police Department was engaged in a transaction with for the purchase of weight-lifting equipment with an immediate family member of an Alderman.

Effect: The Village of Hodge was in violation of Louisiana RS on the Code of Ethics Law for Public Officials and Public Employees.

Recommendation: The Village should not be engage in purchase or sales transations with Aldermen or immediate family members as stated in Louisiana RS 42:1112.

Management Response: The Village will modify the current system to ensure that transactions with family members of Public Officials and Public Employees are not undertaken.

##### **2012-8-Compliance with Fiscal Agency and Cash Management Laws**

Criteria: Louisiana Revised Statute (RS) 39:1225 states that the amount of security for deposits held by a fiscal agent must at all times equal one hundred percent of the amount of the collected funds on deposit to the credit of the Village except that portion of the deposits insured by any governmental agency insuring

insuring bank deposits which is organized under the laws of the United States.

Condition: At the end of the year ended June 30, 2012, the Village of Hodge fiscal agent was held \$1,501 less than the collected balances of the Village.

Effect: The Village of Hodge was in violation of Louisiana RS on the Fiscal Agency and Cash Management.

Recommendation: The Village should maintain adequate pledged securities to equal all deposits held by the Fiscal Agency in the name of the Village.

Management Response: The Village of Hodge will modify the current system to ensure that pledged securities are adequate for all deposits held by the Village.

Prior Year

No findings.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

Current Year

No findings.

Prior Year

No findings.

Village of Hodge  
Hodge, LouisianaSchedule of Compensation Paid Councilpersons  
For the Year Ended June 30, 2012

	2011-2012
Paul F. Robinson	\$ 3,700
Steve H. Fox	3,700
Willard Willis	<u>3,700</u>
Total	<u>\$ 11,100</u>