

VILLAGE OF NORTH HODGE, LOUISIANA
NORTH HODGE, LOUISIANA

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTAL INFORMATION
As of And for The Year Ended September 30, 2019**

BY

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North Hodge, Louisiana

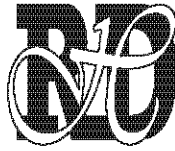
**Financial Statements
and Independent Auditor's Report
With Supplemental Information
As of and for the Year Ended September 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Honorable Kathy Robertson, Mayor,
and Members of the Board of Aldermen
Village of North Hodge, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of North Hodge, Louisiana (the "Village"), as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Village of North Hodge, Louisiana
Independent Auditor's Report on Financial
Statements and Supplementary Information (Continued)

Opinions

In my 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 as of September 30, 2019 and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 and the budgetary comparison information on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is 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. The other supplementary 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 my opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Village of North Hodge, Louisiana
Independent Auditor's Report on Financial
Statements and Supplementary Information (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 29, 2020 on my consideration of the Village's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my 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 North Hodge'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's internal control over financial reporting and compliance.



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
March 29, 2020

REQUIRED SUPPLEMENTAL INFORMATION

(Part 1 of 2)

VILLAGE OF NORTH HODGE
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019**

The discussion and analysis of the Village of North Hodge's financial performance provides an overview of the financial activities for the year ended September 30, 2019. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 11.

Basic Financial Statements

The basic financial statements include government-wide and fund financial statements. The *government-wide* statements consist of a Statement of Net Position and a Statement of Activities and provide information about the financial activities of the Village as a whole. The government-wide statements present a long-term view of our finances. Fund financial statements consist of the respective fund's balance sheet and the fund's statement of revenues, expenditures and changes in fund balance, if applicable. The fund statements tell how the Village's services were financed in the short-term and what remains for *future spending*. The primary difference *between the* fund and government-wide statement presentation methods is that expenditures for capital assets are expensed in the fund financial statements but capitalized and depreciated in the government-wide statements.

Statement of Net Position and Statement of Activities

One of the most important questions asked about our finances is, "Is the Village of North Hodge as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is a method similar to accounting used by most private-sector companies. All revenues and expenses of the current year are reported under this method regardless of when cash is received or disbursed.

These two statements report the Village's net position and the changes in the net position. You can think of net position - the difference between assets and liabilities - as one way to measure the financial health, or financial position, of the Village. Increases/(decreases) in the Village's net *position* is one indicator of whether its financial health is improving/(deteriorating). You will need to consider other nonfinancial factors, however, such as changes in the Village's tax base and the condition of the Village's roads, to assess the overall health of the Village.

In the Statement of Net Position and Statement of Activities, there are two kinds of activities:

Governmental Activities - Most of the Village's basic services are reported here, including the police, streets, sanitation, and general and administration. Sales taxes, ad valorem taxes, franchise taxes, fines, and grants finance most of these activities. Expenses primarily include salaries, supplies, utilities, and insurance.

**Village of North Hodge, Louisiana
Management's Discussion And Analysis (Continued)**

Business-Type Activities - The Village's water and sewer system are reported here. The Village charges a fee to customers to cover the cost of these services. These charges finance most of these services. Expenses primarily include depreciation, system repairs and maintenance, and utilities.

Government-Wide Financial Analysis

As noted above, net position may serve as a useful indicator of the Village's financial position. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the governmental and business-type activities of the Village of North Hodge.

TABLE 1-SEPTEMBER 30, 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and Other Assets	\$ 81,248	\$ 45,461	\$ 42,749	\$ 31,074	\$ 123,997	\$ 76,535
Capital Assets (Net)	124,972	137,837	1,606,543	1,648,242	1,731,515	1,786,079
Total Assets	206,220	183,298	1,649,292	1,679,316	1,855,512	1,862,614
LIABILITIES						
Current Liabilities	25,982	31,554	125,792	105,315	151,774	136,869
Non-current Liabilities	-	-	245,272	262,408	245,272	262,408
Total Liabilities	25,982	31,554	371,064	367,723	397,046	399,277
NET POSITION						
Invested in Capital Assets Net of Debt	124,972	137,837	1,352,726	1,375,895	1,477,698	1,513,732
Unrestricted	55,266	13,907	(74,498)	(64,302)	(19,232)	(50,395)
Total Net Position	\$ 180,238	\$ 151,744	\$ 1,278,228	\$ 1,311,593	\$ 1,458,466	\$ 1,463,337

For the year ending September 30, 2019, total net position decreased .33% (-\$4,871) compared to the prior year. There was a deficit of \$19,232 in unrestricted net position at the end of the current year. Unrestricted net position can be used to finance the day-to-day operations of the Village without constraints.

The largest portion, \$1,477,698, of the Village's net position is invested in capital assets. These capital assets consist of land, water and sewer system, streets, improvements, office furniture, and equipment. The Village uses these capital assets to provide services to its citizens; consequently, capital assets are not available for future spending.

The Village's total net position included no restricted amounts for 2019.

**Village of North Hodge, Louisiana
Management's Discussion And Analysis (Continued)**

TABLE 2 CHANGE IN NET POSITION-SEPTEMBER 30, 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 106,768	\$ 117,205	\$ 106,768	\$ 117,205
Fines and Forfeitures	119,381	85,782	-	-	119,381	85,782
Operating Grants and Contributions	15,000	7,500	-	17,679	15,000	25,179
Capital Grants and Contributions	-	-	21,600	-	21,600	-
General Revenues:						
Taxes	86,781	69,779	-	-	86,781	69,779
Licenses	5,018	5,110	-	-	5,018	5,110
Grants Not Restricted to Specific Programs	-	-	-	-	-	-
Other	2,629	13,135	1,292	3,363	3,921	16,498
Total Revenues	<u>228,809</u>	<u>181,306</u>	<u>129,660</u>	<u>138,247</u>	<u>358,469</u>	<u>319,553</u>
Program Expenses						
General Government	84,872	93,295	-	-	84,872	93,295
Police	77,302	66,339	-	-	77,302	66,339
Streets	12,901	14,383	-	-	12,901	14,383
Water and Sewer	-	-	172,465	187,065	172,465	187,065
Interest on Bond Debt	-	-	14,224	14,614	14,224	14,614
Total Expenses	<u>175,075</u>	<u>174,017</u>	<u>186,689</u>	<u>201,679</u>	<u>361,764</u>	<u>375,696</u>
Interfund Transfers In (Out)	(24,989)	(13,149)	24,989	13,149	-	-
Increase (Decrease) in Net Position	28,745	(5,860)	(32,040)	(50,283)	(3,295)	(56,143)
Net Position-Beginning	151,744	155,301	1,317,390	1,361,876	1,469,134	1,517,177
Prior Period Adjustment	(251)	2,303	(1,325)	5,797	(1,576)	8,100
Net Position - Ending	<u>\$ 180,238</u>	<u>\$ 151,744</u>	<u>\$ 1,284,025</u>	<u>\$1,317,390</u>	<u>\$ 1,464,263</u>	<u>\$ 1,469,134</u>

Governmental activities were responsible for a \$28,494 increase in the Village's net position for the year ended September 30, 2019. Revenue from police fines increased \$33,599 in 2019. The Village's General government had an overall increase in revenue of \$47,503 compared to 2018. General government expenses increased by \$1,058. The increase in net position was due primarily to an increase in fines and forfeitures, bingo tax revenue and contributions from Jackson Parish Police Jury.

Business-type activities decreased net position by \$33,365 for the year ended September 30, 2019. The decrease in net position was due primarily to the depreciation of capital assets.

Fund Financial Statements

As of September 30, 2019, the Village's governmental funds reported a surplus fund balance of, \$55,266 which is \$47,503 increase from the 2018 fund balance.

Amounts reported for business-type activities in the Village's individual funds are identical to the business-type activities reported in the government-wide presentation.

**Village of North Hodge, Louisiana
Management's Discussion And Analysis (Continued)**

Governmental Funds Budgetary Highlights

The Village of North Hodge amends its budget when it is determined that there are unexpected differences between actual and anticipated revenues and/or expenditures. A budget amendment was adopted for the year ended September 30, 2019.

For the year ended September 30, 2019, the General Fund had a 7% favorable variance of \$15,684 between budgeted revenue versus actual revenue. The favorable variance between budgeted and actual expenses was 12% in the amount of \$21,309. The Village reported an excess of \$66,599 in revenue over expenses. Also, the Village had a budget variance of \$2,611 in the amounts transferred to the water and sewer which was 9% favorable.

Business-type Activity Budgetary Highlights

The Village of North Hodge adopted a separate budget for its business-type activities (water and sewer fund) for the year ended September 30, 2019. Business-type activities had a favorable revenue variance of \$24,680, 24%; and it had an unfavorable expense variance of \$5,857, 5%. After transfers of \$24,989 from the General Fund and debt service of \$32,772 the business-type activities had an unfavorable variance of \$8,620 in deficiency of revenues and other sources of funds over expenses and other uses of funds for the year ended September 30, 2019.

To eliminate the deficit, we are implementing cost cutting measures and increasing water and sewer rates.

Capital Assets and Debt Administration

The Village had outstanding bond debt of \$253,817 for the year ending September 30, 2019. Principal payments of \$18,555 and interest payments of \$14,224 were made in 2019 on the outstanding debt. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

We are not aware of any facts, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations after the reporting date.

Requests for Additional Information

This financial report is designed to provide citizens and taxpayers with a general overview of the finances of the Village of North Hodge and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of North Hodge at P.O. Box 520, Hodge, Louisiana 71247.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Net Position
September 30, 2019

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 460	\$ 110	\$ 570
Receivables	6,246	16,240	22,486
Due from Other Funds	74,542	-	74,542
Restricted Assets:			
Cash & Cash Equivalents	-	25,974	25,974
Investments	-	425	425
Capital Assets (Net of Accumulated Depreciation)	124,972	1,606,543	1,731,515
Total Assets	<u>206,220</u>	<u>1,649,292</u>	<u>1,855,512</u>
Liabilities			
Current Liabilities			
Accrued Liabilities	25,982	30,813	56,795
Due to Other Funds	-	74,542	74,542
Current Portion of Long-Term Debt	-	19,992	19,992
Bond Interest Payable	-	445	445
Total Current Liabilities	<u>25,982</u>	<u>125,792</u>	<u>151,774</u>
Non-current Liabilities			
Meter Deposits	-	11,447	11,447
Bonds Payable	-	233,825	233,825
Total Non-current Liabilities	<u>-</u>	<u>245,272</u>	<u>245,272</u>
Total Liabilities	<u>25,982</u>	<u>371,064</u>	<u>397,046</u>
Net Position			
Invested in Capital Assets Net of Related Debt	124,972	1,352,726	1,477,698
Unrestricted	55,266	(74,498)	(19,232)
Total Net Position	<u>\$ 180,238</u>	<u>\$ 1,278,228</u>	<u>1,458,466</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 84,872	\$ -	\$ -	\$ 15,000	\$ (69,872)	\$ -	\$ (69,872)
Public Safety	77,302	-	-	-	(77,302)	-	(77,302)
Streets	12,901	-	-	-	(12,901)	-	(12,901)
Total Governmental Activities	<u>175,075</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(160,075)</u>	<u>-</u>	<u>(160,075)</u>
Business Type Activities:							
Water and Sewer	172,465	106,768	-	-	\$ -	(65,697)	(65,697)
Grants	-	-	-	21,600	-	21,600	21,600
Interest on Long-Term Debt	14,224	-	-	-	-	(14,224)	(14,224)
Total Business Type Activities	<u>186,689</u>	<u>106,768</u>	<u>-</u>	<u>21,600</u>	<u>-</u>	<u>(58,321)</u>	<u>(58,321)</u>
Total Primary Government	<u>\$ 361,764</u>	<u>\$ 106,768</u>	<u>\$ -</u>	<u>\$ 36,600</u>	<u>\$ (160,075)</u>	<u>\$ (58,321)</u>	<u>\$ (218,396)</u>
<i>General Revenues:</i>							
Taxes							
Property Taxes Levied for General Purposes					6,934	-	6,934
Electronic Video Bingo					58,460	-	58,460
Franchise Tax					9,874	-	9,874
Sales Taxes					11,513	-	11,513
Fines					119,381	-	119,381
Licenses and Permits					5,018	-	5,018
Investment Earnings					-	50	50
Other Revenue					2,629	1,242	3,871
Transfers In (Out)					(24,989)	24,989	-
Total General Revenues					<u>188,820</u>	<u>26,281</u>	<u>215,101</u>
Change in Net Position					<u>28,745</u>	<u>(32,040)</u>	<u>(3,295)</u>
Net Position-October 1, 2018					151,744	1,311,593	1,463,337
Prior Period Adjustment					(251)	(1,325)	(1,576)
Net Position-September 30, 2019					<u>\$ 180,238</u>	<u>\$ 1,278,228</u>	<u>\$ 1,458,466</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

VILLAGE OF NORTH HODGE, LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2019

Assets	
Cash	\$ 460
Receivables (net)	6,246
Due From Other Funds	74,542
Total Assets	<u>81,248</u>
 Liabilities and Fund Balances	
Liabilities:	
Accrued Liabilities	25,982
Total Liabilities	<u>25,982</u>
Fund Balances:	
Nonspendable	-
Unassigned	55,266
Total Fund Balances	<u>55,266</u>
Total Liabilities and Fund Balances	<u>\$ 81,248</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended
September 30, 2019

Revenues	
Property Taxes	\$ 6,934
Electronic Bingo	58,460
Franchise Taxes	9,874
Sales Taxes	11,513
Fines	119,381
Licenses and Permits	5,018
Other Revenues	2,629
Total Revenues	<u>213,809</u>
Expenditures	
Current:	
General Government	84,576
Public Safety	76,802
Streets	832
Total Expenditures	<u>162,210</u>
Excess of Expenditures Over Revenue	<u>51,599</u>
Other Financing Sources	
Grants and Contributions	15,000
Interfund Transfers In (Out)	<u>(24,989)</u>
Total Other Financing Sources	<u>(9,989)</u>
Net Change in Fund Balances	<u>41,610</u>
Fund Balances-Beginning	<u>13,907</u>
Prior Period Adjustment	(251)
Fund Balances-Ending	<u>\$ 55,266</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA

Reconciliation of The Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
September 30, 2019

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balance, Total Governmental Funds	\$ 55,266
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	124,972
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Net Assets of Governmental Activities	<u>\$ 180,238</u>
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See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Years Ended September 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental Funds	\$	41,610
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		<u>(12,865)</u>
Changes in Net Position of Governmental Activities	\$	<u>28,745</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Fund Net Position
 Proprietary Fund
 September 30, 2019

	<u>Water and Sewer Enterprise Fund</u>
Assets	
Current and Accrued Assets:	
Cash	\$ 110
Customer Accounts Receivable	16,240
Total Current and Accrued Assets	<u>16,350</u>
Restricted Assets:	
Cash	25,974
Investments	425
Total Restricted Assets	<u>26,399</u>
Utility Plant:	
Capital Assets Net of Accumulated Depreciation	1,606,543
Net Utility Plant	<u>1,606,543</u>
Total Assets	<u>1,649,292</u>
Liabilities	
Current Liabilities:	
Accrued Liabilities	30,813
Due to Other Funds	74,542
Current Portion of Bonds Payable	19,992
Bond Interest Payable	445
Total Current Liabilities	<u>125,792</u>
Liabilities Payable from Restricted Assets:	
Customer Deposits	11,447
Total Liabilities Payable from Restricted Assets	<u>11,447</u>
Long-Term Liabilities:	
Bonds Payable	233,825
Total Long-Term Liabilities	<u>233,825</u>
Total Liabilities	<u>371,064</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	1,352,726
Unrestricted	<u>(74,498)</u>
Total Net Position	<u>\$ 1,278,228</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended
 September 30, 2019

	<u>Water and Sewer</u> <u>Enterprise Fund</u>
Utility Operating Revenue:	
Charges for Water and Sewer	\$ 106,768
Other Income	1,242
Total Operating Revenue	<u>108,010</u>
Operating Expenses:	
Contract Labor	\$ 9,420
Depreciation Expense	62,496
Insurance	15,506
Office	3,451
Other Operating	3,142
Repairs and Maintenance	6,600
Salaries	63,659
Supplies	1,749
Telephone & Utilities	6,442
Total Operating Expenses	<u>172,465</u>
Utility Operating Loss	(64,455)
Other Income and Deductions:	
Grants	21,600
Interest and Dividend Revenue	50
Interest on Long-Term Debt	(14,224)
Total Other Income and Deductions	<u>7,426</u>
Income Before Transfers In (Out)	<u>(57,029)</u>
Operating Transfer In (Out)	24,989
Change in Net Position	<u>(32,040)</u>
Total Net Position, Beginning	1,311,593
Prior Period Adjustment	(1,325)
Total Net Position, Ending	<u>\$ 1,278,228</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 September 30, 2019

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 107,573
Net Increase in Customer Deposits	2,388
Other Cash Received	1,242
Cash Paid to Employees for Services	(66,626)
Cash Paid for Goods and Services	(59,450)
Net Cash Provided by Operating Activities	<u>(14,873)</u>
Cash Flows from Non-Capital Financing Activities	
Interfund Liability/Asset	34,285
Transfers from Other Funds	24,989
Net Cash Used by Non-Capital Financing Activities	<u>59,274</u>
Cash Flows from Capital and Related Financing Activities	
Cash from Capital Grants	21,600
Principal Paid on Bond Debt	(18,555)
Interest Paid on Long Term Debt	(14,217)
Net Cash Provided for Capital and Related Financing Activities	<u>(11,172)</u>
Cash Flows from Investing Activities	
Cash Paid for Equipment	(20,798)
Interest and Dividend Income	50
Net Cash Provided by Investing Activities	<u>(20,748)</u>
Net Decrease in Cash and Cash Equivalents	12,481
Cash and Cash Equivalents-Beginning	13,603
Cash and Cash Equivalents-Ending	<u>\$ 26,084</u>

Reconciliation of Cash and Cash Equivalents to the Balance Sheet

	September 30, 2019	
	End	Beginning
	of Year	of Year
Cash and Cash Equivalents in Current and Accrued Assets	\$ 110	991
Restricted Cash and Cash Equivalents	25,974	12,612
	<u>\$ 26,084</u>	<u>\$ 13,603</u>

Reconciliation of Utility Operating Income to Net Cash Provided by Operating Activities

Utility Operating Loss	\$ (64,455)
Adjustments:	
Depreciation Expense	62,496
Decrease in Customer Accounts Receivables	805
Decrease in Accrued Liabilities	(14,782)
Increase in Meter Deposits Payable	2,388
Prior Period Adjustment	(1,325)
Total Adjustments	<u>49,582</u>
Net Cash Provided by Operating Activities	<u>(14,873)</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended September 30, 2019

The Village of North Hodge, Louisiana, was incorporated August 5, 1953, under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government. Services provided by the Village include police protection and street maintenance. The Village also operates a water distribution system and sewer system for about 203 customers.

The accompanying basic financial statements of the Village of North Hodge, Louisiana, are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements (Statements of Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes the criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under these provisions, the Village of North Hodge is considered a primary government, since it is a general-purpose local *government* that has an elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used by GASB, fiscally independent means that the municipality 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. No component units were identified for the Village of North Hodge.

B. Basic Financial Statements--Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's police protection, highways and streets, and general administrative services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column. They are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts—invested in capital assets, restricted net position, and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net costs of each of the Village's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)

depreciation) by related program revenues, operating grants, and capital grants. Program revenues must *be* directly associated with the function or a business-type activity. The *net costs* (by function or business-type activity) are normally covered by general revenue (taxes, interest income, etc.). The Village does not allocate indirect costs.

The government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

C. Basic Financial Statements--Fund Financial Statements

The financial transactions of the Village of North Hodge are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following funds are used by the Village of North Hodge:

Governmental Funds--The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village of North Hodge:

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.

The activities reported in this fund are reported as governmental activities in the government-wide financial statements.

Proprietary Funds--The focus of proprietary fund measurement is upon determination of operating income, changes in net asset, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

Enterprise Funds - Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity establishes fees and charges based on a pricing policy designed to recover similar costs.

The activities reported in this fund are reported as business-type activities in the government-wide financial statements.

In the governmental fund financial statements, fund balances are classified to describe the relative strength of the spending constraints placed on the purposes for which resources can be used. These classifications are as follows: nonspendable, restricted, committed, assigned, and unassigned. When fund balance resources are available for a specific purpose in more than one classification, it is the Village's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual -- Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Sales tax collected and held by the sales tax collection agency at year end on-behalf of the government are reported in the period for which they were collected. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees, charges, and other exchange revenue are recognized when earned and expenses are recognized when incurred.

Modified Accrual -- The governmental fund financial statements are presented on the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Sales tax collected and held by the sales tax collection agency at year end on behalf of the government are reported in the period for which they were collected provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

The Village reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The revenues susceptible to accrual are franchise fees, interest income, and intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. Budgetary Practices

The Village of North Hodge, Louisiana, was required to prepare an operating budget, on a basis consistent with generally accepted accounting principles, on its general fund for the year ended September 30, 2019, as required by Louisiana law. The proposed original budget for the fiscal year ended September 30, 2019 was adopted on September 11, 2018. An amended budget for the fiscal year ended September 30, 2019 was adopted on September 10, 2019.

Although the Village was not required by statute to adopt a budget for the business-activity fund, a budget was adopted for the business-activity fund on September 11, 2018.

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)

F. Cash Deposits and Investments

Under state law, the Village of North Hodge may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal office in Louisiana. Deposits are carried at cost which approximates market value.

Cash and cash equivalents consist of cash on hand, demand deposits, interest-bearing demand deposits, and short-term time deposits with original maturities of three months or less from date of acquisition. Under state law, the Village of North Hodge may invest funds in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value.

G. Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. The "customers" deposits account is used to report amounts being held for customers' meter deposits. A corresponding liability is presented to record these funds held by the enterprise fund. The Village also receives grants for specific purposes. The proceeds from these grants were deposited into a separate account and are restricted to the purpose for which they were approved. A corresponding liability is recorded for amounts payable on the project.

In compliance with its bond covenant, the Village is required to established restricted cash accounts for debt service and fund in the amount of \$272.60 per month effective October 1, 2014. The Village is also required to establish a separate account in the Village's name as a security for the utility services and is to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied.

H. Compensated Absences

Vacation and sick leave are noncumulative. Employees who work 28 hours a week or more receive four (4) days of vacation and four (4) days of sick leave annually. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

I. Use of Estimates

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

J. Inter-fund Receivables and Payables

Inter-fund activity is reported as loans, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers *between* governmental or *between* proprietary funds are netted as part of the reconciliation to the government-wide financial statements. At the end of the fiscal year, outstanding funds are referred to as "due to/from other funds" on the fund financial statements balance sheets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

K. Equity Classifications

Government Wide Statements--Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt - 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.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements--Governmental fund equity is classified as fund balance. The following classifications are used to describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

Non-spendable Fund Balance - amounts that are not in spendable form (such as prepaids) or are required to *be* maintained intact.

Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)

Assigned Fund Balance - amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

Proprietary fund equity is classified the same as government wide statements.

L. Statement of Cash Flows.

For the purposes of the Statement of Cash Flows, all cash and cash equivalents are considered cash regardless of whether there are restrictions on their use.

M. Deferred Outflows of Resources and Deferred Inflows of Resources

The Village reports decreases in net assets that relate to future periods as deferred outflows of resources and increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. There were no deferred outflows or deferred inflows of resources reported in this year's financial statements.

N. Receivables

Ad valorem tax and proprietary fund receivables are shown net of an allowance for uncollectible amounts. Estimated uncollectible amounts are recognized as a reduction in revenue in the general fund and as bad debt expense in the proprietary fund through an allowance established based upon collection experience and other factors which indicate possible uncollectibility.

Ad valorem taxes are levied on a calendar year basis and become delinquent after December 31. The Village bills and collects its own ad valorem taxes. For the year ended September 30, 2019, ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

8.01 mills for the general maintenance of the Village. This millage was approved by the Board of Aldermen August 9, 2016. This millage is the maximum millage that can be assessed without the approval of voters.

For the year ended September 30, 2019, taxes of \$7,218.54 were levied on property. Taxes receivable at September 30, 2019 consisted of the following:

Taxes Receivable	\$	335
Allowance for Uncollectible Taxes		-
Net Ad Valorem Taxes Receivable	\$	<u>335</u>

VILLAGE OF NORTH HODGE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)

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

Longleaf Estates	\$	599
Alltel Comm Wireless, Inc.		433
Turner Industries		273
Total	\$	<u>1,305</u>

By special election, duly called and held, on July 11, 1981, the qualified electors of the Village of North Hodge authorized a one-cent sale and use tax levy, as defined in Louisiana R.S. 47:301 to Louisiana R.S. 47:317, to be dedicated and used for the purpose of providing funds for any lawful corporate purpose of the Village. The Village adopted Ordinance Number 177 on August 13, 1981, whereby this tax was levied from and after October 1, 1981.

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. 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
Improvements	10 to 20 years
Streets	20 years
Water and Sewer Systems	10 to 50 years
Machinery, Equipment, and Furniture	5 to 10 years

General infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before January 1, 2004, are excluded from capital assets.

P. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Q. Defining Operating Revenues and Expenses

The Village's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Village's water and sewer fund consist of charges for services and cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

VILLAGE OF NORTH HODGE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH

At September 30, 2019, the Village has cash and restricted cash (book balances) as follows:

	Cash	Certificate of Deposit	Total
Unrestricted			
Cash on Hand	\$ 200	\$ -	\$ 200
Demand Deposits	370	-	370
Restricted			
Demand Deposits	25,974	-	25,974
Time Deposit	-	425	425
Total	\$ 26,544	\$ 425	\$ 26,969

The Village maintains its cash accounts at a local bank which provides Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000 for all demand deposits and \$250,000 for all time deposits. At September 30, 2019, the Village has \$26,969 in deposits (collected bank balances), which is secured from risk by FDIC insurance.

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 or exceed the amount on deposit with the fiscal agent.

NOTE 3 - INTERFUND RECEIVABLE/PAYABLE

For the year ended September 30, 2019, interfund receivables and payables are as follows:

Due to General Government from Sewer and Water	\$ (74,542)
Due from Sewer and Water to General Government	74,542
Net Interfund Receivables & Payables	\$ -

NOTE 4 - RESTRICTED ASSETS

Restricted assets for the proprietary fund were applicable to the following at September 30, 2019:

Customers' Deposits	\$ 6,387
Kilpatrick Family Park	309
Street Repairs	\$ 13,300
Debt Service	6,403
Total	\$ 26,399

The Village received contributions from the public for improvements to a local park. Those funds were deposited into a separate account. At September 30, 2019, funds received for the park were \$309.

VILLAGE OF NORTH HODGE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2019 for the Village is as follows:

	Balance 10/1/18	Additions	Deletions	Balance 9/30/19
Government Activities:				
Capital Assets				
Land	\$ 2,775	\$ -	\$ -	\$ 2,775
Buildings	20,441	-	-	20,441
Improvements	11,895	-	-	11,895
Streets	221,007	-	-	221,007
Equipment	93,784	-	-	93,784
Total Capital Assets	349,902	-	-	349,902
Less Accumulated Depreciation				
Buildings	17,204	259	-	17,463
Improvements	3,739	880	-	4,619
Streets	100,373	11,688	-	112,061
Equipment	90,749	38	-	90,787
Total Accumulated Depreciation	212,065	12,865	-	224,930
Governmental Capital Assets, Net	\$ 137,837	\$ (12,865)	\$ -	\$ 124,972
	Balance 10/1/17	Additions	Deletions	Balance 9/30/18
Business-Type Activities				
Capital Assets				
Land	\$ 20,127	\$ -	\$ -	\$ 20,127
Buildings	1,955	-	-	1,955
Machinery and Equipment	58,809	20,797	-	79,606
Water and Sewer System	2,799,648	-	-	2,799,648
Total	2,880,539	20,797	-	2,901,336
Less Accumulated Depreciation				
Buildings	1,955	-	-	1,955
Machinery and Equipment	89,856	19,267	-	109,123
Water and Sewer System	1,140,486	43,229	-	1,183,715
Total Accumulated Depreciation	1,232,297	62,496	-	1,294,793
Business-Type Capital Assets, Net	\$ 1,648,242	\$ (41,699)	\$ -	\$ 1,606,543

NOTE 6 - ACCRUED LIABILITIES

At September 30, 2019, the Village had the following accrued liabilities:

	General Fund	Sewer & Water	Total
Payroll Taxes	\$ 23,860	\$ 30,813	\$ 54,673
Accounts Payable	2,122	-	2,122
Total	\$ 25,982	\$ 30,813	\$ 56,795

\$48,716 of the payroll tax liabilities were owed for past due payroll taxes, interest and penalties for fiscal years ending September 30, 2015 and September 30, 2016.

VILLAGE OF NORTH HODGE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - RECEIVABLES

Accounts receivable consisted of customer billings for water and sewer usage. There were 205 customer accounts totaling \$17,046 consisting of 83 customers with past due balances of \$6,467 at September 30, 2019.

NOTE 8 - LONG-TERM DEBT

Long-Term debt payable is comprised of the following individual debt instruments:

Revenue Bonds

\$340,000 Utilities Revenue Bonds, Series 2014, dated September 18, 2014, due in monthly installments of \$2,726 beginning October 18, 2014 for fifteen years, interest at 5.9% on \$255,000 of bonds and 3% on \$85,000; secured by revenues earned by the Village of North Hodge, derived from the operation of the utility system.

Balance at October 1	\$272,347
Less: Current Maturities	(18,555)
Adjustment	<u>25</u>
Long-Term Debt, Net of Current Maturities	<u>\$253,817</u>

The annual debt service requirements to maturity to all issued debt outstanding as of September 30, 2019 are as follows:

Year	Principal	Interest
2020	\$ 19,941	\$ 12,771
2021	20,990	11,722
2022	22,097	10,615
2023	23,267	9,445
2024	25,806	6,907
2025-2029	141,716	29,216
Total	<u>\$ 253,817</u>	<u>\$ 80,676</u>

At September 30, 2019, the debt reserve account was required to be funded as follows:

Required Beginning Balance	\$ 13,085
Required 2019 Deposits	<u>3,271</u>
Required Ending Balance	<u>\$ 16,356</u>
Actual Balance	<u>6,403</u>
Deficit Funding	<u>\$ (9,953)</u>

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9. PRIOR PERIOD ADJUSTMENTS

At September 30, 2019, the Village had the following prior period adjustment:

	<u>General Fund</u>	<u>Sewer & Water</u>	<u>Total</u>
Understated Expenses	\$ (251)	(1,325)	(1,576)
Total	<u>\$ (251)</u>	<u>\$ (1,325)</u>	<u>\$ (1,576)</u>

NOTE 10. CONTINGENCIES

The Organization was one of two defendants named in a lawsuit which arose from an incident with a former police officer of the Village. An attorney was hired by LMRMA on behalf of the self-insured fund to represent the Village. The case was settled July 30, 2019. The Village did not incur any costs related to the settlement of the case.

NOTE 11- SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 29, 2020, 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 SUPPLEMENTAL INFORMATION

(Part 2 of 2)

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
Year Ended September 30, 2019

	Budget Amounts		Actual	Variance with Final Budget	
	Original	Final		\$	%
REVENUE					
Taxes					
Ad Valorem	6,750	7,453	6,934	519	7%
Electronic Bingo	37,000	50,000	58,460	(8,460)	-17%
Franchise/Insurance	7,000	10,879	9,874	1,005	9%
Sales	7,500	7,500	11,513	(4,013)	-54%
Licenses and Permits	5,100	2,215	5,018	(2,803)	-127%
Fines and Forfeitures	75,000	125,000	119,381	5,619	4%
Grants	7,500	7,500	15,000	(7,500)	0%
Interest and Miscellaneous	-	2,578	2,629	(51)	-100%
Total Revenues	<u>145,850</u>	<u>213,125</u>	<u>228,809</u>	<u>(15,684)</u>	<u>-7%</u>
EXPENDITURES					
Current:					
General Government	111,448	118,379	84,576	33,803	29%
Public Safety	52,025	60,000	76,802	(16,802)	-28%
Highways and Streets	5,500	5,140	832	4,308	84%
Total Expenditures	<u>168,973</u>	<u>183,519</u>	<u>162,210</u>	<u>21,309</u>	<u>12%</u>
Excess (Deficiency) of Revenues Over Expenditures	(23,123)	29,606	66,599	(36,993)	-125%
OTHER FINANCING SOURCES (USES)					
Transfers from (to) Other Funds	-	(27,600)	(24,989)	(2,611)	9%
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>(23,123)</u>	<u>2,006</u>	<u>41,610</u>	<u>(39,604)</u>	<u>-1974%</u>
Fund Balances (Deficit) , Beginning	-	-	13,907	(13,907)	100%
Prior Period Adjustment	-	-	(251)	251	100%
Fund Balances, Ending	<u>\$ (23,123)</u>	<u>\$ 2,006</u>	<u>\$ 55,266</u>	<u>\$ (53,260)</u>	<u>-2655%</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL-PROPRIETARY FUNDS
 Year Ended September 30, 2019

	Budget Amounts		Actual	Variance with Final Budget	
	Original	Final		\$	%
REVENUE					
Water and Sewer Charges	\$ 104,700	\$ 104,700	\$ 106,768	(2,068)	-2%
Grants	-	-	21,600	(21,600)	-100%
Other Revenue	100	100	1,292	(1,192)	-100%
Total Revenues	<u>104,800</u>	<u>104,800</u>	<u>129,660</u>	<u>(24,860)</u>	<u>-24%</u>
EXPENSES					
Contract Labor	7,000	7,000	9,420	(2,420)	-35%
Insurance	-	-	15,506	(15,506)	-100%
Office	750	750	3,451	(2,701)	-360%
Other Operating	31,300	31,300	20,580	10,720	34%
Repairs and Maintenance	15,000	15,000	6,600	8,400	56%
Salaries	58,000	58,000	63,659	(5,659)	-10%
Supplies	2,000	2,000	1,749	251	13%
Telephone & Utilities	7,500	7,500	6,442	1,058	14%
Total Expenditures	<u>121,550</u>	<u>121,550</u>	<u>127,407</u>	<u>(5,857)</u>	<u>-5%</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,750)	(16,750)	2,253	(19,003)	113%
OTHER FINANCING SOURCES (USES)					
Debt Service	(25,000)	(25,000)	(32,772)	7,772	-31%
Transfers from (to) Other Funds	27,600	27,600	24,989	2,611	9%
Total Other Financing Sources (Uses)	<u>2,600</u>	<u>2,600</u>	<u>(7,783)</u>	<u>10,383</u>	<u>399%</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ (14,150)</u>	<u>\$ (14,150)</u>	<u>\$ (5,530)</u>	<u>\$ (8,620)</u>	<u>61%</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended September 30, 2019

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the board members is included in the general government expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 33: 404.1.

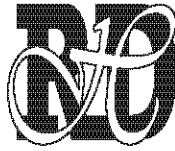
Name	Title	Term	Compensation 2019
Kathy Robertson	Mayor	01/01/15-12/31/18	\$ 4,300
Anthony E. Duffey	Alderman	01/01/15-12/31/18	900
J. W. Tumlin	Alderman	01/01/15-12/31/18	900
Chasity Womack	Alderman	01/01/15-12/31/18	900
Kathy Robertson	Mayor	01/01/19-12/31/22	8,100
Chasity Womack	Alderman	01/01/19-12/31/22	2,700
Ernest Roden	Alderman	01/01/19-12/31/22	2,700
Andrea D. Woods	Alderman	01/01/19-12/31/22	2,700
Total Mayor's and Alderman's Compensation			\$ 23,200

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and for the Year Ended September 30, 2019

Agency Head Name: Mayor Kathy Robertson

<u>Name</u>	<u>Term</u>	<u>2019</u>
Kathy Robertson	01/01/15-12/31/18	
	01/01/19-12/31/22	
Salary		\$ 12,400
LMA Conference Registration		98
Reimbursements		<u>153</u>
Total Compensation, Benefits, and Other Payments to Agency Head		<u><u>\$ 12,651</u></u>



ROSIE D. HARPER

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300 Washington Street, Suite 104 • Monroe, Louisiana 71201

Phone: (318) 387-8008 • Fax: (318) 387-0806

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*

Honorable Kathy Robertson, Mayor,
and Members of the Board of Aldermen
Village of North Hodge, Louisiana

I 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 Village of North Hodge, Louisiana (the "Village"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued my report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control.

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

My 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. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-6 that I consider to be a material weakness.

Village of North Hodge, Louisiana
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* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 items 2019-1 through 2019-5.

Village's Responses to Findings¹

The Village's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the council members, others within the Village, 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. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
March 29, 2020

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended September 30, 2019

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of North Hodge, Louisiana (the "Village"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued my report thereon dated March 29, 2020. I conducted my 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. My audit of the financial statements as of September 30, 2019 resulted in an unmodified opinion.

Section I - Summary of Auditor's Report

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*

Internal Control

Significant Deficiencies Yes No

Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

2019-1: Operating Deficit in Water and Sewer Fund (Repeat Finding)

Criteria: The Village adopted a budget for its water and sewer fund. The Village has a bond covenant which requires the sewer and water fund to operate with sufficient funds to service the bond debt and cover the related operating expenses. The budget should be monitored and revised as needed to maintain a balanced budget and to comply with its bond covenant.

Condition: For the year ended September 30, 2019, the Sewer and Water Fund planned for a deficit in operations of \$14,150. Although the actual variance was \$5,530, the Village should plan for a balance budget.

Cause: The budget amounts do not reflect a realistic projection of actual revenue and expenses. Grant revenue and expenses are not projected in the budget. The budget of the water and sewer fund is not being timely monitored, excludes grant revenue and expenditures and is not amended as it becomes necessary.

Effect: The Village had an operating deficit in the sewer and water fund which is reflected in the budget. The Village is not in compliance with its bond covenant which requires the sewer and water fund to operate with sufficient funds to service the bond debt and cover the related operating expenses.

VILLAGE OF NORTH HODGE, LOUISIANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
 MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

2019-1: Operating Deficit in Water and Sewer Fund (Repeat Finding) (continued)

Recommendation: Budgets should be timely monitored, include grant revenue and expenditures and be amended as needed. Additionally, budgets should be balanced at the time of preparation with a realistic projection of actual revenue and expenses.

Management's response and Planned corrective action:

In January of 2020, the sewer and water rates were increased based upon the rate analysis conducted in late 2019. The board of Alderman and myself believe that the rate changes will provide the revenue needed to eliminate the operating deficit and fully fund the debt reserve fund.

2019-2: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (Repeat Finding)

Criteria: These amounts are required to be held by the Village in a separate account in the Village's name as a security for the utility services and is to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied.

Condition: The amounts held in the security deposit accounts was insufficient to meet customer deposit liability as follows:

Restricted Cash	\$	6,387
Utility Meter Liability		11,447
Underfunding	\$	<u>(5,060)</u>

Cause: For the year ended September 30, 2019, the balances in the accounts restricted for utility security deposits were insufficient to meet the customer deposit liability.

Effect: The Village failed to meet the requirement to hold utility security deposits in a separate fund to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied.

Recommendation: The Village should make deposits to the restricted security deposit accounts in an amount sufficient to meet the customer deposit liability.

Management's response and Planned corrective action:

In January of 2020, the sewer and water rates were increased based upon the rate analysis conducted in late 2019. The board of Alderman and myself believe that the rate changes will provide the revenue needed to eliminate the underfunding in the utility meter account.

VILLAGE OF NORTH HODGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

2019-3: Failure to enact, record and publish ordinances as required by R.S. 33:406. (Repeat Finding)

Criteria: R. S. 33:406 requires the following:

The municipal clerk shall publish each ordinance adopted by the board of aldermen once in the official journal of the municipality, designated pursuant to R.S. 43:141 through R.S. 43:149, within twenty days of its adoption and prior to its effective date, except as otherwise provided in R.S. 33:405(D).

Condition: For the fiscal year ended September 30, 2018, the Village passed seven ordinances. Six of the ordinances were not timely published after the adoption as required by R.S. 33:406.

Cause: The Village management did effectively monitor and follow the procedure to comply with the requirements of R.S. 33:406.

Effect: The Village failed to comply with R.S. 33:406 as by publishing six of its ordinances between 9 to 79 days late after adoption.

Recommendation: The Village should comply with the requirements of R.S. 33:406 when adopting ordinances.

Management's response and Planned corrective action:

To ensure compliance with the timeline required to publish ordinances, the Village established a policy to prepare a schedule which tracks each significant date to adopt ordinances. The schedule is monitored by the Mayor and clerk. To add additional assurances to our procedure, another employee will assist with the monitoring and timely publishing of ordinances.

2019-4 Noncompliance with revenue bond covenant agreement (Repeat Finding)

Criteria: The resolution authorizing the sewer revenue bonds requires the following:

1. The Village establish a separate bond reserve fund and monthly deposits of \$272.60 are required to be made to the fund.
2. The sewer and water fund should operate with sufficient funds to service the debt and pay operating costs of the fund.

Condition: For the year ended September 30, 2019:

1. The fund was under-funded by \$9,953.
2. The fund had an operating deficit of \$64,455.

Cause: The required monthly deposits are not being made into the bond reserve fund. Rates charged for water and sewer service is insufficient to generate the revenue required to service debt and pay operating expenses of the fund.

VILLAGE OF NORTH HODGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

2019-4 Noncompliance with revenue bond covenant agreement (Repeat Finding) (continued)

Effect: The Village is in violation of the sewer revenue bond covenant.

Recommendation: Funds should be timely deposited to the sewer revenue bond restricted cash accounts to fund the minimum required balances. Also, the Village should consider raising the rates for water and sewer service to increase revenue to a level sufficient to service bond debt and cover operating costs of the fund.

Management's response and Planned corrective action:

As stated earlier, in January of 2020, the sewer and water rates were increased based upon the rate analysis conducted in late 2019. The board of Alderman and myself believe that the rate changes will provide the revenue needed to eliminate the operating deficit and fully fund the debt reserve fund.

2019-5 Untimely payroll tax payments (Repeat Finding)

Criteria: Federal and state statute require payroll taxes to be deposited timely.

Condition: For the year ended September 30, 2019, the Village had unpaid federal payroll taxes, penalties and interest of \$43,820 and unpaid state payroll taxes, penalties and interest \$4,896 which were incurred during fiscal years ending September 30, 2015 and September 30, 2016.

Cause: Funds necessary to pay these amounts when originally due during fiscal years ending September 30, 2015 and September 30, 2016 were not available.

Effect: The Village is incurring penalties and interest by failing to pay federal and state payroll taxes in a timely manner.

Recommendation: The Village is currently in an installment agreement with the Internal Revenue Service Center and the State of Louisiana Workforce Commission to pay past due payroll tax obligations. Unfortunately, the amount which the Village can afford to pay to the Internal Revenue Service Center is primarily paying interest. The Village should pursue making an offer and compromise with Internal Revenue Center.

Management's response and Planned corrective action:

Currently, the payroll taxes owed to the state of Louisiana Workforce Commission have be paid down to \$3,133.03. The Village is on an installment agreement for \$645.53 a month, and we anticipate the state payroll taxes will be paid in full by August of 2020. Although, we are on an installment agreement with Internal Revenue Service, I plan to make an offer in compromise to settle the debt for a lesser amount.

VILLAGE OF NORTH HODGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

2019-6 Untimely reconciliation of bank statements.

Criteria: Bank statements should be reconciled within 60 days of receipt to protect the Village against the risk of losses from fraudulent transactions and errors.

Condition: For the year ended September 30, 2019, the Village's bank statements were reconciled over 60 days after receipt.

Cause: The Clerk failed to reconcile the bank account statements timely.

Effect: Generally, bank customers have 60 days to notify their financial institutions of an error or unauthorized transaction. After this period, the customer can be subject to unlimited losses.

Recommendation: To protect the Village from the risk of losses, the Clerk should reconcile all bank accounts within 60 days of receipt.

Management's response and Planned corrective action:

To ensure timely bank reconciliations, the Clerk will be required to complete all bank reconciliations within 30 days of receipt of the bank statements and deliver the bank reconciliation to the Mayor for review. The Mayor will initial and date the bank reconciliations when received. A log will be created and maintained by a separate employee.

There were no questioned costs.

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2019

FINDINGS-FINANCIAL STATEMENTS AUDIT

2015-16-3: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability- For the year ended September 30, 2016, the beginning balances in the accounts restricted for utility security deposits was insufficient to meet the customer deposit liability. For the year ended September 30, 2015, utility funds invested in a certificate of deposit were expended for utility and general fund operation expenses.

STATUS: **UNCLEARED**

2015-16-4: Failure to enact, record and publish ordinances as required by R.S. 33:406- The Village passed 17 ordinances which were not formatted in the style as required, did not file the original ordinance in a book properly titled or timely publish the adopted ordinances as required by R.S. 33:406. Of the 17 ordinances, a public hearing was not held for 15 and all of the 17 were published in the official journal untimely between 191 to 710 days after the ordinance was adopted.

STATUS: **UNCLEARED**

2015-16-6 -Noncompliance with revenue bond covenant agreement-The resolution authorizing the sewer revenue bonds requires that the Village establish separate sinking fund. Monthly deposits of \$213.80 are required to be made to the fund. For the years ended September 30, 2016 and 2015. The fund was underfunded by \$4,313.37 and \$2565.60, respectively.

STATUS: **UNCLEARED**

2015-16-7: Untimely payroll tax payments-Condition:For the years ended September 30, 2016 and 2015, the Village had unpaid federal payroll taxes, penalties and interest of \$19,515 and \$41,103, respectively. The Village also had unpaid state payroll taxes of \$8,600 and \$14,908, respectively. The Village is incurring penalties and interest by failing to pay federal and state payroll taxes in a timely manner.

STATUS: **UNCLEARED**

2017-2: Operating Deficit in Water and Sewer Fund-The Village adopted a budget for its water and sewer fund. The budget should be monitored and revised as needed to maintain a balanced budget. For the year ended September 30, 2017, the Sewer and Water Fund had a 20% unfavorable variance for revenue and a 14% unfavorable variance for expenses. The budget amounts do not reflect a realistic projection of actual revenue and expenses. The budget of the water and sewer fund is not being timely monitored and amended as it becomes necessary. The Village had an operating deficit and a budget which is not balanced. Variances of the operating budget for the water and sewer fund exceeds a 5% unfavorable variance for both revenue and expenses.

STATUS: **UNCLEARED**

2017-3: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (Repeat Finding)-These amounts are required to be held by the Village in a separate account in the Village's name as a security for the utility services and is to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied. The amounts held in the security deposit accounts was insufficient to meet customer deposit liability as follows:

**Village of North Hodge, Louisiana
Schedule Of Prior Year Findings (continued)**

Schedule 12

Restricted Cash	\$	5,390
Utility Liability		<u>10,942</u>
Underfunding	\$	<u>(5,552)</u>

STATUS: **UNCLEARED**

2017-4: Failure to enact, record and publish ordinances as required by R.S. 33:406. (Repeat Finding)- R. S. 33:406 requires “The municipal clerk shall publish each ordinance adopted by the board of aldermen once in the official journal of the municipality, designated pursuant to R.S. 43:141 through R.S. 43:149, within twenty days of its adoption and prior to its effective date, except as otherwise provided in R.S. 33:405(D)” For the fiscal year ended September 30, 2017, the Village passed four ordinances. Two of the ordinances were not timely published after the adoption as required by R.S. 33:406. One of the ordinances was published after the effective date.

STATUS: **UNCLEARED**

2017-6 Noncompliance with revenue bond covenant agreement (Repeat Finding)-The resolution authorizing the sewer revenue bonds requires that the Village establish separate sinking fund. Monthly deposits of \$213.80 are required to be made to the fund. For the year ended September 30, 2017. The fund was under-funded by \$2,594.

STATUS: **UNCLEARED**

2017-7 Untimely payroll tax payments (Repeat Finding)-Federal and state statute require payroll taxes to be deposited timely. For the year ended September 30, 2017, the Village had unpaid federal payroll taxes, penalties and interest of \$45,111 and unpaid state payroll taxes, penalties and interest \$19,676.

STATUS: **UNCLEARED**

2018-1: Operating Deficit in Water and Sewer Fund (Repeat Finding)- Criteria: The Village adopted a budget for its water and sewer fund. The Village has a bond covenant which requires the sewer and water fund to operate with sufficient funds to service the bond debt and cover the related operating expenses. The budget should be monitored and revised as needed to maintain a balanced budget. The Village had an operating deficit in the sewer and water fund. The budget reflects a breakeven change in net position. As a result, the variance for the change in net position of the operating budget for the water and sewer fund was a 100% unfavorable in the amount of \$8,675.

STATUS: **UNCLEARED**

2018-2: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (Repeat Finding)- These amounts are required to be held by the Village in a separate account in the Village’s name as a security for the utility services and is to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied. The amounts held in the security deposit accounts was insufficient to meet customer deposit liability as follows:

Restricted Cash	\$	5,942
Utility Meter Liability		<u>9,057</u>
Underfunding	\$	<u>(3,115)</u>

STATUS: **UNCLEARED**

Village of North Hodge, Louisiana
Schedule Of Prior Year Findings (continued)

Schedule 12

2018-3: Failure to enact, record and publish ordinances as required by R.S. 33:406. (Repeat Finding)-R. S. 33:406 requires the “municipal clerk shall publish each ordinance adopted by the board of aldermen once in the official journal of the municipality, designated pursuant to R.S. 43:141 through R.S. 43:149, within twenty days of its adoption and prior to its effective date, except as otherwise provided in R.S. 33:405(D).” For the fiscal year ended September 30, 2018, the Village passed four ordinances. One of the ordinances was not timely published after the adoption as required by R.S. 33:406.

STATUS: **UNCLEARED**

2018-4 Noncompliance with revenue bond covenant agreement (Repeat Finding)-The resolution authorizing the sewer revenue bonds requires the Village establish a separate sinking fund and monthly deposits of \$213.80 are required to be made to the fund, and the sewer and water fund should operate with sufficient funds to service the debt and pay operating costs of the fund. For the year ended September 30, 2018, the fund was under-funded by \$5,801; and the fund had an operating deficit of \$8,675.

STATUS: **UNCLEARED**

2018-5 Untimely payroll tax payments (Repeat Finding)- Federal and state statute require payroll taxes to be deposited timely. For the year ended September 30, 2018, the Village had unpaid federal payroll taxes, penalties and interest of \$43,306 and unpaid state payroll taxes, penalties and interest \$11,100 which were incurred during fiscal years ending September 30, 2015 and September 30, 2016.

STATUS: **UNCLEARED**



Phone: 318-259-4272

VILLAGE OF NORTH HODGE

P.O. Box 520 | Hodge, Louisiana 71247



Fax: 318-259-1055

Mayor Kathy Robertson

To: Louisiana Legislative Auditor

March 29, 2020

Subject: Audit Findings and Management Corrective Action Plan

Dear Sir:

In response to the audit findings for the fiscal year ending September 30, 2019, The Village of North Hodge, Louisiana will implement the following corrective action plan:

2019-1: Operating Deficit in Water and Sewer Fund (Repeat Finding)

Criteria: The Village adopted a budget for its water and sewer fund. The Village has a bond covenant which requires the sewer and water fund to operate with sufficient funds to service the bond debt and cover the related operating expenses. The budget should be monitored and revised as needed to maintain a balanced budget and to comply with its bond covenant.

Condition: For the year ended September 30, 2019, the Sewer and Water Fund planned for a deficit in operations of \$14,150. Although the actual variance was \$5,530, the Village should plan for a balance budget.


Cause: The budget amounts do not reflect a realistic projection of actual revenue and expenses. Grant revenue and expenses are not projected in the budget. The budget of the water and sewer fund is not being timely monitored, excludes grant revenue and expenditures and is not amended as it becomes necessary.

Effect: The Village had an operating deficit in the sewer and water fund which is reflected in the budget. The Village is not in compliance with its bond covenant which requires the sewer and water fund to operate with sufficient funds to service the bond debt and cover the related operating expenses.

Recommendation: Budgets should be timely monitored, include grant revenue and expenditures and be amended as needed. Additionally, budgets should be balanced at the time of preparation with a realistic projection of actual revenue and expenses.

Management's response and Planned corrective action:

In January of 2020, the sewer and water rates were increased based upon the rate analysis conducted in late 2019. The board of Alderman and myself believe that the rate changes will provide the revenue needed to eliminate the operating deficit and fully fund the debt reserve fund.

This institution is an equal opportunity provider. 

VILLAGE OF NORTH HODGE, LOUISIANA
 FINDINGS AND QUESTIONED COSTS WITH
 MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

2019-2: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (Repeat Finding)

Criteria: These amounts are required to be held by the Village in a separate account in the Village's name as a security for the utility services and is to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied.

Condition: The amounts held in the security deposit accounts was insufficient to meet customer deposit liability as follows:

Restricted Cash	\$	6,387
Utility Meter Liability		<u>11,447</u>
Underfunding	\$	<u>(5,060)</u>

Cause: For the year ended September 30, 2019, the balances in the accounts restricted for utility security deposits were insufficient to meet the customer deposit liability.

Effect: The Village failed to meet the requirement to hold utility security deposits in a separate fund to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied.

Recommendation: The Village should make deposits to the restricted security deposit accounts in an amount sufficient to meet the customer deposit liability.

Management's response and Planned corrective action:

In January of 2020, the sewer and water rates were increased based upon the rate analysis conducted in late 2019. The board of Alderman and myself believe that the rate changes will provide the revenue needed to eliminate the underfunding in the utility meter account.

VILLAGE OF NORTH HODGE, LOUISIANA
FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

2019-3: Failure to enact, record and publish ordinances as required by R.S. 33:406. (Repeat Finding)

Criteria: R. S. 33:406 requires the following:

The municipal clerk shall publish each ordinance adopted by the board of aldermen once in the official journal of the municipality, designated pursuant to R.S. 43:141 through R.S. 43:149, within twenty days of its adoption and prior to its effective date, except as otherwise provided in R.S. 33:405(D).

Condition: For the fiscal year ended September 30, 2018, the Village passed seven ordinances. Six of the ordinances were not timely published after the adoption as required by R.S. 33:406.

Cause: The Village management did effectively monitor and follow the procedure to comply with the requirements of R.S. 33:406.

Effect: The Village failed to comply with R.S. 33:406 as by publishing six of its ordinances between 9 to 79 days late after adoption.

Recommendation: The Village should comply with the requirements of R.S. 33:406 when adopting ordinances.

Management's response and Planned corrective action:

To ensure compliance with the timeline required to publish ordinances, the Village established a policy to prepare a schedule which tracks each significant date to adopt ordinances. The schedule is monitored by the Mayor and clerk. To add additional assurances to our procedure, another employee will assist with the monitoring and timely publishing of ordinances.

2019-4 Noncompliance with revenue bond covenant agreement (Repeat Finding)

Criteria: The resolution authorizing the sewer revenue bonds requires the following:

1. The Village establish a separate bond reserve fund and monthly deposits of \$272.60 are required to be made to the fund.
2. The sewer and water fund should operate with sufficient funds to service the debt and pay operating costs of the fund.

Condition: For the year ended September 30, 2019:

1. The fund was under-funded by \$9,953.
2. The fund had an operating deficit of \$64,455.

Cause: The required monthly deposits are not being made into the bond reserve fund. Rates charged for water and sewer service is insufficient to generate the revenue required to service debt and pay operating expenses of the fund.

VILLAGE OF NORTH HODGE, LOUISIANA
FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

Effect: The Village is in violation of the sewer revenue bond covenant.

Recommendation: Funds should be timely deposited to the sewer revenue bond restricted cash accounts to fund the minimum required balances. Also, the Village should consider raising the rates for water and sewer service to increase revenue to a level sufficient to service bond debt and cover operating costs of the fund.

Management's response and Planned corrective action:

As stated earlier, in January of 2020, the sewer and water rates were increased based upon the rate analysis conducted in late 2019. The board of Alderman and myself believe that the rate changes will provide the revenue needed to eliminate the operating deficit and fully fund the debt reserve fund.

2019-5 Untimely payroll tax payments (Repeat Finding)

Criteria: Federal and state statute require payroll taxes to be deposited timely.

Condition: For the year ended September 30, 2019, the Village had unpaid federal payroll taxes, penalties and interest of \$43,820 and unpaid state payroll taxes, penalties and interest \$4,896 which were incurred during fiscal years ending September 30, 2015 and September 30, 2016.

Cause: Funds necessary to pay these amounts when originally due during fiscal years ending September 30, 2015 and September 30, 2016 were not available.

Effect: The Village is incurring penalties and interest by failing to pay federal and state payroll taxes in a timely manner.

Recommendation: The Village is currently in an installment agreement with the Internal Revenue Service Center and the State of Louisiana Workforce Commission to pay past due payroll tax obligations. Unfortunately, the amount which the Village can afford to pay to the Internal Revenue Service Center is primarily paying interest. The Village should pursue making an offer and compromise with Internal Revenue Center.

Management's response and Planned corrective action:

Currently, the payroll taxes owed to the state of Louisiana Workforce Commission have be paid down to \$3,133.03. The Village is on an installment agreement for \$645.53 a month, and we anticipate the state payroll taxes will be paid in full by August of 2020. Although, we are on an installment agreement with Internal Revenue Service, I plan to make an offer in compromise to settle the debt for a lesser amount.

VILLAGE OF NORTH HODGE, LOUISIANA
FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (continued)

2019-6 Untimely reconciliation of bank statements.

Criteria: Bank statements should be reconciled within 60 days of receipt to protect the Village against the risk of losses from fraudulent transactions and errors.

Condition: For the year ended September 30, 2019, the Village's bank statements were reconciled over 60 days after receipt.

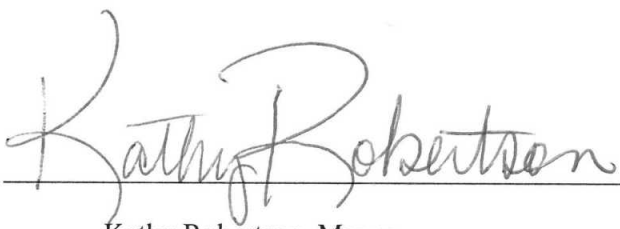
Cause: The Clerk failed to reconcile the bank account statements timely.

Effect: Generally, bank customers have 60 days to notify their financial institutions of an error or unauthorized transaction. After this period, the customer can be subject to unlimited losses.

Recommendation: To protect the Village from the risk of losses, the Clerk should reconcile all bank accounts within 60 days of receipt.

Management's response and Planned corrective action:

To ensure timely bank reconciliations, the Clerk will be required to complete all bank reconciliations within 30 days of receipt of the bank statements and deliver the bank reconciliation to the Mayor for review. The Mayor will initial and date the bank reconciliations when received. A log will be created and maintained by a separate employee.

Signature:  _____
Kathy Robertson, Mayor

VILLAGE OF NORTH HODGE, LOUISIANA
NORTH HODGE, LOUISIANA

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
As of and for the Year Ended September 30, 2019**

BY

ROSIE D. HARPER
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VILLAGE OF NORTH HODGE, LOUISIANA
NORTH HODGE, LOUISIANA

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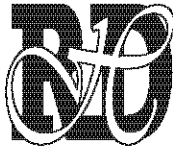
VILLAGE OF NORTH HODGE, LOUISIANA

North Hodge, Louisiana

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
As of and for the Year Ended September 30, 2019**

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Alderman
The Village of North Hodge, Louisiana and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by The Village of North Hodge, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1) I obtained and inspected the entity's written policies and procedures and observed whether those written policies and procedures addressed each of the following categories and subcategories, as applicable:

a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget

The Entity does have written guidelines for adopting, monitoring, and amending the budget. The entity does prepare budgets for all funds. The preparation of the budget is outsourced to a certified public accountant. The Village follows the Louisiana Local Government Budget Act for adopting and amending the budget. A budget to actual report is presented to the board of alderman at each meeting.

b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Entity does have written guidelines for how purchases are initiated, vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders for payment of routine vendor payments. However, the Entity does have written guidelines for following the procedures required by the Louisiana Public Bid Law. Request for purchases must be approved by the Mayor. If approved, a purchase order is completed with the date, vendor name, purchase order number, and what is needed. A copy of the purchase order is placed into a file. All vendors are approved by the Mayor before being added to the vendor list.

c) *Disbursements*, including processing, reviewing, and approving

The Entity does have written policies and procedures which provide guidelines for processing, reviewing, and approving of disbursements. When an invoice is received, the Mayor approves the invoice before payment. The clerk enters the invoice into the Quickbooks billing system. The clerk prints a check for

The Village of North Hodge, Louisiana
Independent Accountants Report on Applying Agreed-Upon Procedures (Continued)

payment. The check is signed by the Mayor. The check stub is attached to the invoice and filed. The payment is remitted to the vendor.

- d) *Receipts/Collections*, including receiving, recording, and preparing deposits

The Entity does have written policies and procedures which provide guidelines for receiving, recording, and preparing deposits. Receipts are classified in Quickbooks according to their source, i. e. fines, utility payments, taxes, etc. Receipts are issued for all payments received in the office. For payments made in the office, a separate person from the person who receives and records the payment counts and reconcile the deposit to the source documents. For on-line payments, a report for each deposit is printed and reconciled with the bank records.

- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Entity does have written policies and procedures which provide guidelines for payroll processing and approval. Timesheets are kept for the clerk and maintenance personnel. The timesheets are reviewed and signed by the Mayor. Payroll is then processed by the clerk in the Quickbooks payroll system. Paychecks are presented to the Mayor for signature. Paystubs are attached to the timesheets and filed. Employees do not work overtime.

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

The Entity does have written policies and procedures which provide guidelines for contracting including types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process. The Entity follows the procedures of the Louisiana Public Bid Law

- g) *Credit Cards* (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage

The Entity does have written policies and procedures which provide guidelines for (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage

- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The Entity does have written policies and procedures which provide guidelines for travel and expense reimbursement, including allowable expenses, dollar thresholds by category of expense, documentation requirements, and required approvers. When employees use their personal vehicles for errands, they are required to submit a request for reimbursement which reports total mileage, destination, purpose of trip, and date. If they travel on Village business, a request for reimbursement is submitted to the clerk and approved by the Mayor. After approval, payment is made for the requested reimbursement.

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The Entity does have written policies and procedures for compliance with Ethics as defined in Louisiana Revised Statute 42:111-1121. All elected officials filed their annual financial statements as required and took the required one hour of ethics training.

- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Entity does have written policies and procedures for debt service. The Entity complies with R.S. 39:1410.60 when incurring debt. To comply bond covenants, the Entity has set up payments on automatic bank draft. To fund its bond sinking reserve, the clerk has prepared a schedule of required deposits. As reserve deposits are made, the Mayor is presented proof of deposit. The Entity has a deficit funding in the reserve account for the year ended September 30, 2019 in the amount of \$9,953.

- k) *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.

The Entity's policies and procedures manual does provide guidelines for disaster recovery/business continuity. The Entity uses an off-site back-up system and critical files are backed up daily. The Entity's IT contractor performs periodic testing and verification that back-ups can be restored. All computer systems have antivirus software installed and updates to software are installed in a timely manner. The Entity's IT contractor maintains their computers, and his services would be utilized during a disaster recovery.

Board or Finance Committee

- 2) I obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observed whether 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.

The Entity's board of alderman met with a quorum on a frequency in accordance with the entity's charter.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements.

The Entity's minutes did not reference monthly budget-to-actual comparisons on the financial information. The clerk does provide monthly budget- to actual comparison financial statements to the board.

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

The entity's minutes referenced the Village's plan to address its deficit fund balances and how to eliminate past due payroll taxes.

Bank Reconciliations

- 3) I obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. I asked management to identify the entity's main operating account.

The Village of North Hodge, Louisiana
Independent Accountants Report on Applying Agreed-Upon Procedures (Continued)

The Entity only had two (2) bank accounts. For each of the bank accounts selected, I randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statements and reconciliations for each account, and observed that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date;

Bank reconciliations were not performed timely on all bank accounts provided by the Entity's management.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The bank reconciliations are prepared by the clerks reviewed monthly by the Mayor. No reconciled items were on the bank statement outstanding for more than six months as of the end of the fiscal period.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months as of the end of the fiscal period.

No reconciled items were on the bank statement outstanding for more than twelve months as of the end of the fiscal period.

Collections

- 4) I obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. I tested the collections from each of the two sites of the Entity.

- 5) The Entity has only one deposit site and collection location. For that location, obtained and inspected written policies and procedures relating to employee job duties at each location, and observed that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Two employees are responsible for collecting cash. They share the same cash drawer, but a third employee who does not collect cash counts and reconciles collections to reports from the utility system, police ticket collection system and receipts.

- b) Each employee responsible for collecting cash is not responsible for preparing /making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The clerk collects cash sometimes and also prepares the deposit slip. An employee who is not responsible for preparing /making bank deposits reconciles the collection documentation.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The clerk collects cash sometimes and also post collections to the general ledger. An employee who is not responsible for preparing /making bank deposits reconciles the collection documentation to the general ledger.

- d) The employee responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The Village of North Hodge, Louisiana
Independent Accountants Report on Applying Agreed-Upon Procedures (Continued)

The employee responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions is sometimes responsible for collecting cash, but another employee verifies the reconciliation.

- 6) I inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

All individuals responsible for handling cash and checks are bonded.

- 7) I randomly selected two deposit dates for each of the two (2) bank accounts selected for procedure #3 under "Bank Reconciliations" above. (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. I obtained supporting documentation for each of the eight (8) deposits and:

- a) Observed that receipts were sequentially pre-numbered.
- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Traced the deposit slip total to the actual deposit per the bank statement.
- d) Observed that the deposit was made within one (1) business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Traced the actual deposit per the bank statement to the general ledger.

My testing disclosed no discrepancies.

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

- 8) I obtained a listing of locations that process payments for the fiscal period and management's representation that the listing was complete. I selected the one location where payments are processed.
- 9) For each location selected under #8 above, I obtained a listing of those employees involved with non-payroll purchasing and payment functions. I obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

All purchases were not made by purchase orders but were all approved by the appropriate levels of management who did not initiate the purchase except for purchases made by the Mayor. My testing did not disclose any discrepancies.

- b) At least two employees are involved in processing and approving payments to vendors.

The person requesting purchases are separate from approval functions except for purchases made by the Mayor. All purchases, except those purchases made by the Mayor, are pre-approved by the appropriate level of management. Payments for purchases are paid by original invoices.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The person responsible for processing payments is not prohibited from adding vendors to the Entity's purchasing and disbursement system but is separate from the person who authorizes and signs checks. All vendor additions and disbursements were approved by authorized personnel and management at an appropriate level.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The person who mails checks is separate from the persons with signatory authority and makes the final authorization and the person who processes payments.

- 10) For each location selected under #8 above, I obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. I randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:

- a) Observed that the disbursement matched the related original invoice/billing statement.

My testing did not disclose any discrepancies.

- b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

My testing did not disclose any discrepancies.

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

- 11) I obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards and obtained management's representation that the listing is complete.

- 12) Using the listing prepared by management, I selected the four credit cards and one debit card that were used during the fiscal period. I randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:

- a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

My testing did not disclose any discrepancies.

- b) Observed that finance charges and late fees were not assessed on the selected statements.

On one of the credit cards the Entity incurred interest expense and late fees during one of the test months.

- 13) I used the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly selected all transactions from each statement, and obtained supporting documentation for the transactions. For each transaction, I observed that it was 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).

My testing did not disclose any discrepancies.

Travel and Expense Reimbursement

14) 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, 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:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

There were no amounts paid for travel and expense reimbursement that exceeded General Services Administration rates.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

My testing did not disclose any discrepancies.

- c) 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 policy (procedure #1h).

My testing did not disclose any discrepancies.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

My testing did not disclose any discrepancies.

Contracts

15) I obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* I obtained management's representation that the listing is complete. The Entity had only one (1) contract for an equipment lease. I selected the one (1) contract from the listing, excluding the practitioner's contract, and:

- a) I observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

The Entity did not have any formal written contracts.

- b) I observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

N/A

- c) If the contract was amended (e.g. change order), I observed that the original contract terms provided for such an amendment. N/A

- d) I randomly selected one payment from the fiscal period for the contract, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

N/A

Payroll and Personnel

- 16) I obtained a listing of employees employed during the fiscal period and management's representation that the listing is complete. I randomly selected five (5) employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

My testing did not disclose any discrepancies.

- 17) I randomly selected one pay period during the fiscal period. For the five (5) employees selected under #16 above, I obtained attendance records and leave documentation for the pay period, and:

- a) Observed that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Observed that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

My testing did not disclose any discrepancies.

- 18) I obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

The Entity did not have any terminated employees during the fiscal year.

- 19) I obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

The Entity is currently on an installment agreement for payroll taxes incurred during fiscal years ending September 30, 2015 and 2016. The Entity failed to file the payroll tax forms timely for one of the quarters during the fiscal year. However, all payroll taxes were paid timely for the fiscal year ending September 30, 2019.

Ethics (excluding nonprofits)

- 20) Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. I observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

My testing did not disclose any discrepancies.

- b. I observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The entity does not have a policy requiring each elected official to attest by signature to verify that he or she has read the entity's policy during the fiscal year.

Debt Service

- 21) Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

The Entity did not issue any debt during the fiscal period.

- 22) 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.

The Entity made all of the scheduled debt service payments on its outstanding debt, but a deficiency of \$9,953 remains for deposits owed to the debt reserve account.

Other

- 23) I obtained 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.

The Entity did not have any misappropriations of public funds or assets during the fiscal period.

- 24) I observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice required by R.S. 24:523.1 was posted by the Entity.

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

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



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
March 29, 2020