

Village of Hodge

Hodge, Louisiana

Annual Financial Statements
with Independent Auditor's Report

As of and For the Year Ended
June 30, 2019
with Supplemental Information Schedules

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As of and for the year ended June 30, 2019
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Independent Auditor's Report

Village of Hodge
Hodge, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Village of Hodge, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hodge's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2019 on our consideration of the Village of Hodge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village of Hodge's internal control over financial reporting and compliance.

Kenneth D. Folden & Co., CPAs

Jonesboro, Louisiana
November 12, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Village of Hodge
Hodge, Louisiana

Statement of Net Position
As of June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 67,664	\$ 51,572	\$ 119,236
Accounts receivable	145,633	12,160	157,793
Cash and equivalents - restricted	-	48,839	48,839
Capital assets (net of accumulated depreciation)	606,553	647,042	1,253,595
Total Assets	819,850	759,613	1,579,463
Deferred Outflows of Resources			
Pension	18,272	-	18,272
Total Deferred Outflows of Resources	18,272	-	18,272
Liabilities			
Accounts payable	48,556	768	49,324
Payroll liabilities	2,384	-	2,384
Customer meter deposits	-	29,420	29,420
Net pension liability	59,618	-	59,618
Total Liabilities	110,558	30,188	140,746
Deferred Inflows of Resources			
Pension	7,645	-	7,645
Total Deferred Inflows of Resources	7,645	-	7,645
Net Position			
Net investment in capital assets	606,553	647,042	1,253,595
Unrestricted	113,366	82,383	195,749
Total Net Position	\$ 719,919	\$ 729,425	\$ 1,449,344

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

Village of Hodge
Hodge, Louisiana

Statement of Activities
For the Year Ended June 30, 2019

Expenses	Major Funds			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary government						
Governmental activities						
General government	\$ 243,396	\$ 7,187	\$ 13,010	\$ -	\$ -	\$ (223,199)
Police	286,787	98,330	-	-	-	(188,457)
Fire	31,384	-	-	-	-	(31,384)
Highways and streets	518,663	800	-	-	-	(517,863)
Services to related party	408,006	424,268	-	-	-	16,262
Total governmental activities	1,488,236	530,585	13,010	(944,641)	-	(944,641)
Business-type activities						
Water and sewer	201,029	102,305	12,995	-	-	(85,729)
Total primary government	\$ 1,689,265	\$ 632,890	\$ 26,005	(944,641)	(85,729)	(1,030,370)
General Revenues						
Taxes:						
Property taxes, levied for general purposes				166,524	-	166,524
Sales taxes				422,848	-	422,848
Franchise taxes				2,390	-	2,390
Licenses				28,944	-	28,944
Intergovernmental				21,428	-	21,428
Investment earnings				110	252	362
Rent, royalties, and commissions				1,474	-	1,474
Other revenue				20,321	100	20,421
Gain (loss) on sale of fixed assets				1,000	-	1,000
Operating transfers				73,121	(73,121)	-
Total general revenues and transfers				738,160	(72,769)	665,391
Change in net position				(206,481)	(158,498)	(364,979)
Net position - June 30, 2018 (restated)				926,400	887,923	1,814,323
Net position - June 30, 2019				\$ 719,919	\$ 729,425	\$ 1,449,344

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

FUND FINANCIAL STATEMENTS

Village of Hodge
Hodge, Louisiana

Balance Sheet - Governmental Funds
As of June 30, 2019

	Governmental Funds
Assets	
Cash and equivalents	\$ 67,664
Accounts receivable	145,633
Total Assets	213,297
Liabilities & Fund Balances	
Liabilities:	
Accounts payable	\$ 48,556
Payroll liabilities	2,384
Total Liabilities	50,940
Fund balances:	
Assigned, reported in:	
General fund	-
Unassigned	162,357
Total Fund Balances	162,357
Total Liabilities & Fund Balances	\$ 213,297

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

Village of Hodge
Hodge, Louisiana

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2019

Total Fund Balances at June 30, 2019 - Governmental Funds (Statement C)	\$	162,357
Total Net Position reported for governmental activities in the Statement of Net Position (Statement A) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.		606,553
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability		(59,618)
Deferred outflows of resources		18,272
Deferred inflows of resources		<u>(7,645)</u>
Net Position at June 30, 2019	<u>\$</u>	<u>719,919</u>

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

Village of Hodge
Hodge, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2019

	General Fund
Revenues	
Taxes:	
Ad valorem tax	\$ 166,524
Franchise tax	2,390
Sales tax	422,848
Licenses and permits	28,944
Intergovernmental:	
Operating grant	13,010
Fire insurance rebate	2,930
Police supplemental pay and witness fees	15,888
Streets maintenance	2,610
Fines, forfeitures, and court costs	98,330
Rent, royalty, and commission	1,474
Charges for services	432,255
Miscellaneous	18,569
Total revenues	1,205,772
Expenditures	
Current:	
General government	226,152
Public safety	
Police	269,029
Fire	23,510
Streets	462,047
Services to related party	407,162
Capital outlay	15,845
Total expenditures	1,403,745
Excess (deficiency) of revenues over (under) expenditures	(197,973)
Other financing sources (uses)	
Interest earnings	110
Proceeds from the sale of fixed assets	1,000
Operating transfers	73,121
Total other financing sources (uses)	74,231
Net changes in fund balances	(123,742)
Fund balances - June 30, 2018	286,100
Fund balances - June 30, 2019	\$ 162,358

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

Village of Hodge
Hodge, Louisiana

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Funds Balances to the Statement of Activities
For the Year Ended June 30, 2019

Total net change in Fund Balances - Governmental Funds (Statement E)	\$	(123,743)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets capitalized over their estimated useful lives as depreciation expense. This is the amount by which capital outlay differs from depreciation for the period.

Depreciation		(86,667)
Capital outlay		15,845
Compensated absence expense increase		-
Net pension liability increase		(11,916)
Change in net position of governmental activities (Statement B)	\$	<u>(206,481)</u>

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

Village of Hodge
Hodge, Louisiana

Statement of Net Position - Proprietary Fund
As of June 30, 2019

	Utility Fund
Assets	
Current Assets:	
Cash and equivalents	\$ 51,572
Accounts receivable	12,160
Due from other funds	-
Total Current Assets	<u>63,732</u>
Noncurrent Assets:	
Cash and equivalents - restricted	48,839
Capital assets (net of accumulated depreciation)	<u>647,042</u>
Total Noncurrent Assets	<u>695,881</u>
Total Assets	<u>\$ 759,613</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 768
Due to other funds	-
Total Current Liabilities	<u>768</u>
Current liabilities payable from restricted assets	
Customer meter deposits	<u>29,420</u>
Total Liabilities	<u>30,188</u>
Net Position	
Net investment in capital assets	647,042
Unrestricted	<u>82,383</u>
Total Net Position	<u>\$ 729,425</u>

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

Village of Hodge
Hodge, Louisiana

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

	Utility Fund
Operating Revenues	
Water sales	\$ 43,935
Sewer fees	27,154
Sanitation fees	31,216
Operating grant	12,995
Miscellaneous income	100
Total operating revenues	115,400
Operating Expenses	
Personnel services	17,814
Supplies	63,652
Repairs and maintenance	21,331
Contractual services	23,476
Miscellaneous	16,310
Depreciation	58,446
Total operating expenses	201,029
Operating Income (Loss)	(85,629)
Non-operating Revenues (Expenses)	
Interest earnings	252
Gain (loss) on sale of fixed asset	-
Total non-operating revenues (expenses)	252
Income (loss) before transfers	(85,377)
Transfers	(73,121)
Change in net position	(158,498)
Total Net Position - June 30, 2018 (restated)	887,923
Total Net Position - June 30, 2019	\$ 729,425

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

Village of Hodge
Hodge, Louisiana

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2019

	Utility Fund
Cash flows from operating activities	
Cash received from customers	\$ 97,385
Cash payments to suppliers for goods and services	<u>(141,909)</u>
Net cash provided by (used for) operating activities	<u>(44,524)</u>
Cash flows from non-capital financing	
Operating grant	12,995
Transfers to and from other funds	<u>(73,121)</u>
Net cash provided by (used for) non-capital financing activities	<u>(60,126)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(15,978)</u>
Net cash provided by (used for) capital and related financing activities	<u>(15,978)</u>
Cash flows from investing activities	
Interest earnings	<u>252</u>
Net cash provided by (used for) investing activities	<u>252</u>
Net increase (decrease) in cash and cash equivalents	(120,376)
Cash and cash equivalents - June 30, 2018	<u>220,792</u>
Cash and cash equivalents - June 30, 2019	<u><u>\$ 100,416</u></u>
Reconciliation of operating income to net provided by operating activities	
Operating income	\$ (98,624)
Adjustments	
Depreciation	58,446
Net changes in assets and liabilities	
Accounts receivable	(4,920)
Customers' meter deposits	1,441
Accounts payable	(694)
Due to HUOC	<u>(173)</u>
Net cash provided for (used for) operating activities	<u><u>\$ (44,524)</u></u>

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

NOTES TO THE
FINANCIAL STATEMENTS

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

INTRODUCTION

The Village of Hodge, Louisiana (Village), was incorporated January 31, 1928, under the provisions of the Lawrason Act. The Village operates under the Mayor-Board of Aldermen form of government with three aldermen. Services provided by the Village include police protection, fire protection, sanitation, services to others, and street maintenance. The Village also operates a water distribution system and sewer system for approximately 250 customers. The Village is located in Jackson Parish, Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village applies all relevant GASB pronouncements, as applicable to governmental entities. Also, the Village's financial statements are prepared in accordance with the requirements of Louisiana R.S. 24:513, the Louisiana Municipal Audit and Accounting Guide and to the industry guide, Audits of State and Local Government Units, published by the American Institute of Certified Public Accountants.

B. Reporting Entity

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

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, establishes criteria for determining which, if any, component units should be considered part of the Village for financial reporting purposes. GASB Statement No. 61 provides additional criteria for classifying entities as component units. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - i. The ability of the government to impose its will on that organization and/or
 - ii. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the above criteria, no component units were identified for the Village of Hodge.

C. Government-Wide Financial Statements

The Village's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements present summaries of the governmental activities and the business-type activities for the Village. Fiduciary activities of the Village are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village of Hodge's governmental activities.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) are derived directly from parties outside the Village's taxpayers or citizenry, including (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; program revenues reduce the cost of the function to be financed from the Village's general revenues.

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

Indirect Expenses - The Village reports all indirect expenses separately on the Statement of Activities (Statement B). Indirect expenses are those expenses that are not clearly identifiable with a function. Interest on long-term debt is considered an indirect expense.

General revenues are taxes and other items that are not properly included among program revenues. The effect of interfund activity has been removed from the government-wide financial statements.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

D. Fund Financial Statements

The accounts of the Village of Hodge are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, expenditures or expenses, as appropriate, additions, and deductions. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Funds of the Village are classified into two categories: governmental and proprietary.

Governmental Funds

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Village has presented all major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. Amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Long-term debts are reported as an other financing source, and repayment of long-term debt is reported as an expenditure. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. Accordingly, revenues are recorded when received in cash and when collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

The Village of Hodge reports the following major governmental funds:

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

Revenues

The governmental funds use the following practices in recording revenues:

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

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred, all other grant requirements have been met, and the susceptible-to-accrual criteria have been met.

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

Expenditures

The governmental funds use the following practices in recording expenditures:

Salaries are recorded as expenditures when earned by employees.

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

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

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

Other Financing Sources (Uses)

The governmental funds use the following practices in recording other financing sources (uses):

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

Proprietary Funds

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total position) is segregated into three components-net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. The proprietary funds use the accrual basis of accounting, where revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

The Enterprise Fund of the Village of Hodge is the Water and Sewer Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the Village for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Revenues and Expenses

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

E. Equity Classifications

The Village of Hodge has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and reported in three components:

Net investment in capital assets: This classification 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 these assets.

Restricted net position: This classification consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted net position: Any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

The Governmental Fund Financial Statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Village did not have any nonspendable funds for the year ended June 30, 2019.

Village of Hodge
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Notes to the Financial Statements
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Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Village did not have any restricted funds for the year ended June 30, 2019.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board typically establishes commitments through the adoption and amendment of the budget. The Village did not have any committed funds for the year ended June 30, 2019.

Assigned: This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board delegating this responsibility to a body or official (Mayor) for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Village has no assigned funds for year ended June 30, 2019.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The Village has unassigned funds of \$162,357 for year ended June 30, 2019.

The Village would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. Budgets

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

The 2018-2019 general fund budget was published in the official journal and made available for public inspection. A public hearing for the proposed budget was held on June 5, 2018, and the budget was adopted by the Board of Aldermen. The amended budget was adopted April 11, 2019 by the Board of Aldermen.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village of Hodge may deposit funds in demand deposits in stock-owned federally insured depository institutions organized under the laws of the state of Louisiana or of any other state of the United States, or under the laws of the United States. The Village may invest in certificates and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For the purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of 90 days or less when purchased.

Under state law, the Village may invest in United States bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all other reported as investments.

The Village reports restricted assets on the Statement of Net Position (Statement A), which includes restricted cash (customer deposits) that is collected by the Water and Sewer Department.

H. Investments

The Village of Hodge's investments comply with Louisiana Revised Statute 33:2955. Under state law, the Village may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Village may invest in United States bonds, treasury notes and bills, or government-backed agency securities or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value except for those which are permitted under GASB Statement No. 31 to use a different valuation measurement.

In accordance with paragraph 69 of GASB Statement No. 72, the Village reports at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

I. Interfund Receivables and Payables

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

J. Inventories

Inventories of supplies in the Proprietary Fund are not material and are charged to operations as purchased.

Village of Hodge
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Notes to the Financial Statements
As of and for the year ended June 30, 2019

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns of the government-wide financial statements, but are not reported in the governmental fund financial statements. Acquisitions of property and equipment are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The estimated useful life for classes of assets are as follows:

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

In accordance with GASB Statement No. 34, general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

L. Deferred Outflows of Resources

The Village reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Village reported \$18,272 in deferred outflows of resources due to the net pension liability.

M. Compensated Absences

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

N. Deferred Inflows of Resources

The Village reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Village will not recognize the related revenues until a future event occurs. The Village reported \$7,645 of deferred inflows of resources due to the net pension liability.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

O. Interfund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure by the providing fund.

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other funds" or "due to other funds" on the Fund Financial Statements Balance Sheet (Statement C), as well as all other outstanding balances between funds.

In the process of aggregating data for the Statement of Net Position (Statement A) and the Statement of Activities (Statement B), some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

P. Estimates

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

2. Ad Valorem Tax

All ad valorem tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account. Ad valorem taxes are levied on a calendar year basis and become delinquent on December 31. The Village bills and collects its own ad valorem taxes. For the 2018 ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

6.90 mills for the general maintenance of the Village

This millage was approved by the Board of Aldermen on September 4, 2018. This millage is the maximum millage that can be assessed without the approval of the voters of the Village.

Village of Hodge
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Notes to the Financial Statements
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The following entities are the principal taxpayers and related ad valorem tax revenue for the Village:

WestRock	\$	144,942
Hodge Bank and Trust		3,903
Kansas City Southern Railroad		2,341
De Lage Landen Financial Services, Inc.		2,207
Barnhart Crane & Rigging Co.		<u>1,247</u>
Total	\$	<u>154,640</u>

3. Sales Tax

The qualified electors of the Village of Hodge, under the provisions of Louisiana Revised Statute 47:338.1, authorized a one percent sales and use tax levy to be dedicated and used for the purpose of providing funding for any lawful corporate purpose of the Village for an undefined period of time. The tax was first levied on December 1, 1983.

4. Cash, Cash Equivalents, and Investments

At June 30, 2019, the Village had cash and cash equivalents (book balances) totaling \$168,075, including \$300 cash on hand. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

At June 30, 2019, the Village had \$179,251 in deposits (collected bank balances). These deposits are secured from risk by \$179,251 federal deposit insurance, and \$153,044 of pledged securities held in a Federal Reserve pledge account. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Village of Hodge has complied with these requirements of state law.

Cash and investments are categorized to give an indication of the level of risk assumed by the Village at June 30, 2019. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the the pledging financial institution's trust department or agent but not in the depositor-government's name. The Village of Hodge has cash and cash equivalents that are covered by \$179,251 of federal depository insurance. The remaining balance is exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2019, the Village had no investments.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

5. Receivables

The receivables of \$157,793 at June 30, 2019, are as follows:

	Fund		
	General	Enterprise	Total
Services	\$ 50	\$ 12,160	\$ 12,210
Franchise fees	443	-	443
HUOC	37,555	-	37,555
State - DOTD	1,305	-	1,305
Sales taxes	106,170	-	106,170
Other	110	-	110
Total	<u>\$ 145,633</u>	<u>\$ 12,160</u>	<u>\$ 157,793</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019, is as follows:

A. Capital Assets - Governmental Funds

	Balance, July 01, 2018	Additions	Deletions	Balance, June 30, 2019
Capital assets not depreciated				
Land	\$ 63,291	\$ -	\$ -	\$ 63,291
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>63,291</u>	<u>-</u>	<u>-</u>	<u>63,291</u>
Capital assets being depreciated				
Buildings	246,783	2,713	-	249,496
Improvements other than buildings	945,444	-	-	945,444
Furniture	39,724	-	-	39,724
Equipment	269,066	13,132	-	282,198
Vehicles	520,355	-	19,160	501,195
Total capital assets being depreciated	<u>\$ 2,021,372</u>	<u>\$ 15,845</u>	<u>\$ 19,160</u>	<u>\$ 2,018,057</u>
Less accumulated depreciation				
Buildings	\$ 196,611	\$ 2,838	\$ -	\$ 199,449
Improvements other than buildings	566,515	43,989	-	610,504
Furniture	39,077	228	-	39,305
Equipment	131,455	21,215	-	152,670
Vehicles	473,631	18,396	19,160	472,867
Total accumulated depreciation	<u>1,407,289</u>	<u>86,667</u>	<u>19,160</u>	<u>1,474,795</u>
Capital assets, net	<u>\$ 614,083</u>	<u>\$ (70,822)</u>	<u>\$ -</u>	<u>\$ 543,262</u>
Governmental capital assets - net	<u>\$ 677,374</u>	<u>\$ (70,822)</u>	<u>\$ -</u>	<u>\$ 606,553</u>

Functional Allocation of Depreciation Expense

General government	\$ 3,576
Fire	7,874
Police	17,758
Highways and streets	56,616
Services to others	844
Total	<u>\$ 86,668</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

B. Capital Assets - Proprietary Funds

	Balance, July 01, 2018	Additions	Deletions	Balance, June 30, 2019
Capital assets being depreciated				
Water System	\$ 460,936	\$ -	\$ -	\$ 460,936
Sewer System	623,952	-	-	623,952
Machinery and equipment	177,172	15,978	-	193,149
Total capital assets being depreciated	<u>\$ 1,262,060</u>	<u>\$ 15,978</u>	<u>\$ -</u>	<u>\$ 1,278,037</u>
Less accumulated depreciation				
Water System	\$ 204,790	\$ 15,522	\$ -	\$ 220,313
Sewer System	271,913	24,894	-	296,807
Machinery and equipment	95,846	18,029	-	113,876
Total accumulated depreciation	<u>\$ 572,550</u>	<u>\$ 58,446</u>	<u>\$ -</u>	<u>\$ 630,996</u>
Business-type activities capital assets, net	<u>\$ 689,510</u>	<u>\$ (42,468)</u>	<u>\$ -</u>	<u>\$ 647,041</u>

Functional Allocation of Depreciation Expense

Water	\$ 15,522
Sewer	24,894
Machinery and equipment	18,029
Total	<u>\$ 58,446</u>

7. Payables

The payables of \$51,708 at June 30, 2019, are as follows:

	Fund		
	General	Enterprise	Total
Accounts	\$ 48,556	\$ 768	\$ 49,324
Payroll liabilities	2,384	-	2,384
Total	<u>\$ 50,940</u>	<u>\$ 768</u>	<u>\$ 51,708</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

8. Retirement Systems

A. Municipal Employees' Retirement System of Louisiana (System)

Plan Description

The Village of Hodge contributes to the Municipal Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Any member of Plan B who was hired before January 1, 2013, can retire providing the member meets one of the following criteria:

1. Any age with 30 years of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.
3. Any age with ten years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.

Eligibility for retirement for Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven or more years of creditable service.
2. Age 62 with ten or more years of creditable service.
3. Age 55 with thirty or more years of creditable service.
4. Any age with twenty five years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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

For the year ended June 30, 2019, the Village of Hodge's total payroll for all employees was \$512,242. Total covered payroll was \$49,800. Covered payroll refers to all compensation paid by the Village of Hodge to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810, or by visiting the System's website www.mersla.com.

Village of Hodge
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Notes to the Financial Statements
As of and for the year ended June 30, 2019

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2019, the actual employer contribution rate was 13.25% for Plan B, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Village of Hodge to the System monthly. The Village of Hodge's contributions to the System under Plan B for the year ending June 30, 2019 were \$3,276.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Village reported a liability of \$56,844 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Village of Hodge's proportion of the Net Pension Liability was based on a projection of the Village of Hodge's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Village of Hodge's proportion was 0.067205%, which was an increase of 0.00033% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village of Hodge recognized the system pension expense of \$11,917 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was (\$1,676). Total pension expense for the Village was \$10,241.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

At June 30, 2019, the Village of Hodge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 153	\$ 2,560
Changes in assumption	2,126	-
Net difference between projected and actual earnings on pension plan	9,237	-
Changes in employer's proportion of beginning net pension liability	1,537	797
Differences between employer and proportionate share of contributions	-	34
Contributions after the measurement period	1,554	-
Total	<u>\$ 14,607</u>	<u>\$ 3,391</u>

The \$1,554 reported as deferred outflows of resources related to pensions resulting from Village of Hodge contributions subsequent to the measurement date will be recognized as an increase of Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 5,080
2021	3,464
2022	834
2023	284

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018, are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.275%
Inflation Rate	2.6%
Projected Salary Increases (including inflation and merit increases)	5.000%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled Annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected Remaining Service Lives	3 years for Plan B

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.20%
Public fixed income	35%	1.50%
Alternatives	15%	0.60%
Totals	<u>100%</u>	<u>4.30%</u>
Inflation		<u>2.70%</u>
Expected arithmetic nominal return		<u><u>7.00%</u></u>

Village of Hodge
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Notes to the Financial Statements
As of and for the year ended June 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.275%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Village of Hodge's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Village of Hodge's proportionate share of the net pension liability calculated using the discount rate of 7.275%, as well as what the Village of Hodge's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.275%) or one percentage-point higher (8.275%) than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Employer's proportionate share of net pension liability	\$ 74,601	\$ 57,860	\$ 41,749

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

B. Municipal Police Employees' Retirement System of Louisiana (System)

Plan Description

The Village of Hodge contributes to the Municipal Police Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. Membership in the System is mandatory for all full-time police officers employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

Any member of the Plan who was hired before January 1, 2013, can retire providing the member meets on of the following criteria:

1. Any age with 25 years of creditable service.
2. Age 50 with a minimum of twenty or more years of creditable service.
3. Age 55 with a minimum of twelve years of creditable service.
4. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

Village of Hodge
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Notes to the Financial Statements
As of and for the year ended June 30, 2019

The monthly amount of benefits are 3 1/3% of their average final compensation (employee's average monthly earnings during the highest 36 consecutive or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Eligibility for retirement for members hired on or after January 1, 2013 is as follows:

Hazardous Duty

1. Any age with 25 years of creditable service.
2. Age 55 with twelve or more years of creditable service.
3. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

Non Hazardous Duty

1. Any age with 30 years of creditable service.
2. Age 55 with twenty-five or more years of creditable service.
3. Age 60 with ten or more years of creditable service.
4. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

The benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

The system also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2019, the Village of Hodge's total payroll for all employees was \$512,242. Total covered payroll was \$6,644. Covered payroll refers to all compensation paid by the Village of Hodge to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411, or by visiting the System's website www.lampers.org.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2019, the actual employer contribution rate was 32.25%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

Members are required by state statute to contribute 10.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Village of Hodge to the System monthly. The Village of Hodge's contributions to the System for the year ended June 30, 2019 were \$2,143.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Employer reported a liability of \$2,773 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Village of Hodge's proportion of the Net Pension Liability was based on a projection of the Village of Hodge's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Village of Hodge's proportion was 000328%, which was an increase of 000328% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village of Hodge recognized pension expense of \$413 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, contributions made after the measurement date, which was \$3,015. Total pension expense was \$3,428.

At June 30, 2019, the Village of Hodge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	13	142
Changes in assumptions	181	-
Net difference between projected and actual earnings on pension plan	133	-
Changes in employer's proportion of beginning net pension liability	1,903	3,887
Differences between employer and proportionate share of contributions	1	224
Contributions after the measurement period	1,433	-
Total	<u>\$ 3,664</u>	<u>\$ 4,253</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

The \$1,433 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ (3,166)
2021	655
2022	486
2023	3

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018, are as follows:

Valuation Date	June 30, 2018	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.20%, net of investment expense	
Inflation Rate	2.60%	
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Projected Salary Increases	Years of Service	Salary Growth Rate
	1-2	9.75%
	3-23	4.75%
	Above 23	4.25%
Expected Remaining Service Lives	4 years	
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period of July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables. The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	52%	3.58%
Fixed income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected arithmetic nominal return		8.03%

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Village of Hodge's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Village of Hodge's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the Village of Hodge's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.20%) or one percentage-point higher (8.20%) than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Employer's proportionate share of net pension liability	\$ 3,897	\$ 2,773	\$ 1,830

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Police Employees' Retirement System of Louisiana Audit Report at www.lampers.org.

9. Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended June 30, 2019:

Long-term obligation	Balance, July 01, 2018	Additions	Deletions	Balance, June 30, 2019
Net pension liability	\$ 57,861	\$ 2,773	\$ 1,016	\$ 59,618
Total	<u>\$ 57,861</u>	<u>\$ 2,773</u>	<u>\$ 1,016</u>	<u>\$ 59,618</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of the year ended June 30, 2019:

Long-term obligation	Current portion	Long-term portion	Total
Net pension liability	\$ -	\$ 59,618	\$ 59,618
Total	<u>\$ -</u>	<u>\$ 59,618</u>	<u>\$ 59,618</u>

10. Related Party Transactions

The Mayor and the Mayor Pro-Tem serve on the Board of Directors of the Hodge Utility Operating Company (HUOC) along with six members appointed by RockTenn. HUOC operates and manages the water, sewerage, and electric generating facilities owned by the Village of Hodge Combined Utility System (another related party). HUOC is considered to be a related party, and during the year ended June 30, 2019, fees for services rendered were received in the Village's General Fund from HUOC in the amount of \$424,268 and expenses paid from the Village's General Fund to HUOC were \$405,378. Expenses paid to HUOC for the Village's utilities were \$2,550.

The Village provides various services to HUOC during the year, including the billing and collecting of electricity generated by HUOC for the Village's water and sewer customers. The amounts collected by the Village for HUOC are remitted to HUOC once a week. At June 30, 2019, there was no amount due to HUOC.

11. Grants

During the year ended June 30, 2019, the Village of Hodge received grant income of \$13,000 from the Louisiana Governmental Assistance Program (LGAP) that was used to purchase two Kawasaki Mules in the streets department. The total cost for the streets department was \$13,132, and the Village paid the difference from the grant amount awarded. In addition, the Village received \$12,995 from the Low Income Housing Energy Assistance Program (LIHEAP) to assist residents with energy costs. All expenses were used to offset the cost of energy for residents of the Village.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2019

12. Risk Management and Economic Dependency

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

The Village is economically dependent upon WestRock Company, which provides the majority of property tax and sales and use tax revenue for the Village. There were no receivables at June 30, 2019, due from WestRock Company.

13. Litigation and Claims

At June 30, 2019, the Village was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance.

14. Restated Net Position of the Proprietary Fund

At June 30, 2019, the Village adjusted their customer meter deposit liability to reflect the amount recorded in the utility billing system. The adjustment is due to prior year transactions in the meter deposit liability that were recorded incorrectly. The Village restated the net position of the business-type activities and the proprietary fund to reflect this adjustment.

15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 12, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY
INFORMATION

Village of Hodge
Hodge, Louisiana

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budget - Original	Budget - Final	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes:				
Ad valorem tax	\$ 130,000	\$ 166,426	\$ 166,524	\$ 98
Franchise tax	2,750	2,750	2,390	(360)
Sales tax	470,000	325,000	422,848	97,848
Licenses and permits	15,000	15,000	28,944	13,944
Operating grant	-	140,871	13,010	(127,861)
Intergovernmental	29,900	29,900	21,428	(8,472)
Fines, forfeitures, and court costs	80,000	103,500	98,330	(5,170)
Rent, royalty, and commission	-	1,650	1,474	(176)
Charges for services	171,000	408,000	432,255	24,255
Miscellaneous	2,775	10,930	18,569	7,639
Total revenues	901,425	1,204,027	1,205,772	1,745
Expenditures				
Current:				
General government	268,900	265,995	226,152	39,843
Public safety				
Police	222,940	247,663	269,029	(21,366)
Fire	21,490	16,810	23,510	(6,700)
Streets	265,500	408,377	462,047	(53,670)
Services to related party	165,000	400,000	407,162	(7,162)
Capital outlay	62,000	22,918	15,845	7,073
Total expenditures	1,005,830	1,361,763	1,403,745	(41,982)
Excess (deficiency) of revenues over (under) expenditures	(104,405)	(157,736)	(197,973)	(40,237)
Other financing sources (uses)				
Interest earnings	200	200	110	(90)
Proceeds from the sale of fixed assets	-	1,000	1,000	-
Operating transfers	-	35,810	73,121	37,311
Total other financing sources (uses)	200	37,010	74,231	37,221
Net changes in fund balances	(104,205)	(120,726)	(123,742)	(3,016)
Fund balances - June 30, 2018	124,279	124,279	286,100	161,822
Fund balances - June 30, 2019	\$ 20,074	\$ 3,553	\$ 162,358	\$ 158,806

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

Village of Hodge
Hodge, Louisiana

Notes to the Budgetary Comparison Schedule
For the year ended June 30, 2019

NOTE 1 - BUDGETARY POLICIES

A proposed budget for the general fund of the Village of Hodge is prepared on the cash basis of accounting. The budget is legally adopted by the Village of Hodge and then amended during the year, as necessary. The budget is established and controlled at the object level of expenditures. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. The Village of Hodge authorizes all amendments to the budget. The amended budget was adopted April 11, 2019 by the Board of Aldermen.

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

Village of Hodge
Hodge, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Employees Retirement System
For the year ended June 30, 2019

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.067200%	0.066872%	0.062152%	0.068116%	0.068791%
Employer's proportionate share of the net pension liability (asset)	56,844	57,860	51,518	46,295	32,297
Employer's covered employee payroll	49,800	49,632	45,663	47,260	46,662
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	114.14 %	116.58 %	112.82 %	97.96 %	69.22 %
Plan fiduciary net position as a percentage of total pension liability	65.60 %	63.49 %	63.34 %	66.18 %	76.94 %

The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Hodge
Hodge, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Police Employees Retirement System
For the year ended June 30, 2019

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.000328 %	- %	- %	0.002089 %	0.010701 %
Employer's proportionate share of the net pension liability (asset)	2,773	-	-	16,365	66,947
Employer's covered employee payroll	4,444	-	-	5,586	12,814
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	62.40 %	- %	- %	292.96 %	522.45 %
Plan fiduciary net position as a percentage of total pension liability	71.89 %	70.08 %	66.04 %	70.73 %	75.10 %

The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Hodge
Hodge, Louisiana

Schedule of Employer Contributions
Municipal Employees Retirement System
For the year ended June 30, 2019

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,276	\$ 6,599	\$ 5,460	\$ 4,338	\$ 4,490
Contributions in relation to contractually required contribution	3,276	6,599	5,460	4,338	4,490
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered payroll	\$ 23,400	\$ 49,800	\$ 49,632	\$ 45,663	\$ 47,260
Contributions as a percentage of covered employee payroll	14.00 %	13.25 %	11.00 %	9.50 %	9.50 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Hodge
Hodge, Louisiana

Schedule of Employer Contributions
Municipal Police Employees Retirement System
For the year ended June 30, 2019

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,143	\$ -	\$ -	\$ -	\$ 1,760
Contributions in relation to contractually required contribution	2,143	-	-	-	1,760
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered payroll	\$ 6,644	\$ -	\$ -	\$ -	\$ 5,586
Contributions as a percentage of covered employee payroll	32.25 %	- %	- %	- %	31.50 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Kenneth D. Folden & Co.

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

Village of Hodge
Hodge, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hodge, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Hodge's basic financial statements and have issued our report thereon dated November 12, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Hodge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village of Hodge's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kenneth D. Felden & Co., CPAs

Jonesboro, Louisiana
November 12, 2019

SUPPLEMENTAL INFORMATION

Village of Hodge
Hodge, Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2019

We have audited the basic financial statements of the Village of Hodge as of and for the year ended June 30, 2019 and have issued our report thereon dated November 12, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2019 resulted in an unqualified opinion.

A. Summary of Auditor's Report

Report on Internal Control and Compliance Material to Financial Statements

Internal Control

Material Weakness Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

B. Findings - Financial Statements Audit

Current Year

No current year findings.

Prior Year

No prior year findings.

Village of Hodge
Hodge, LouisianaSchedule of Compensation Paid Aldermen
For the year ended June 30, 2019

	2019
Wayne T. Buchan	\$ 5,400
Steve H. Fox	5,400
Willard Willis	<u>5,400</u>
	<u>\$ 16,200</u>

Village of Hodge
Hodge, LouisianaSchedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2019

Gerald Palmer Mayor		
Salary	\$	22,800
Benefits - Retirement		3,192
Reimbursement		<u>43</u>
	\$	<u><u>26,035</u></u>

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Aldermen of Village of Hodge
Hodge, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Village of Hodge 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 July 01, 2018 through June 30, 2019. The Village'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. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a. Budgeting, including preparing, adopting, monitoring, and amending the budget,
 - b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. Disbursements, including processing, reviewing, and approving,
 - d. Receipts, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.
 - e. Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked,
 - f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process,
 - g. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, 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,

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, and

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

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.

Exception: The Village does not have written policies and procedures on debt service because it has no debt service. The ethics policy adopted by the Village does not include specific statutes and annual attestation of the ethics policy. The Village does not have a disaster recover/business continuity policy.

Management's Response: The Village will include the prohibitions of Louisiana Revised Statute 42:1111-1121 and annual attestation in the existing ethics policy. The Village will adopt a disaster recovery/business continuity policy.

Board

2. Obtain and review the board/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. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Response: The Village met monthly with a quorum, except October when there was no quorum.

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 (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Response: The Board of Aldermen approves bills monthly, but there is no reference in the minutes of budget-to-actual comparisons. The Aldermen are given budget-to-actual comparisons monthly to review.

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.

Response: The Village did not have a negative ending unrestricted fund balance.

Exception: See above responses.

Management's Response: The Board of Aldermen will review budget-to-actual comparisons and document the review in the meeting minutes.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Response: Management provided us with a list of bank accounts and representation that the list is complete.

a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Response: Of the six bank accounts reviewed, all six of the accounts were reconciled in the month reviewed. There was indication that the bank reconciliations reviewed were completed within two months of the statement closing date by and electronic date signature printed on the reconciliation.

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

Response: Reconciliations were reviewed by Mayor.

c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Response: Out of five accounts reviewed, three accounts had reconciling items that were outstanding for more than twelve months.

Exception: See above responses.

Management's Response: The Village will research reconciling items that have been outstanding for more than twelve months.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Response: Management provided us with a list of deposit sites and representation that the list is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Response: Management provided us with a list of collection locations and representation that the list is complete. There were no written employee job duties, but we inquired of employees their job duties. Job duties are properly segregated.

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

Response: The Clerk and Assistant Clerk shared a cash drawer. The Assistant Clerk is primarily responsible for taking deposits.

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.

Response: The Clerk can collect cash and is responsible for preparing bank deposits.

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.

Response: The Clerk can collect cash and is responsible for posting collection entries to the general ledger.

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

Response: The Clerk can collect cash and is responsible for reconciling the cash accounts monthly.

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

Response: Each employee who has access to cash is covered by a bond.

7. Randomly select two deposit dates for each of the 5 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). Obtain supporting documentation for each of the 10 deposits and:

a. Observe that receipts are sequentially pre-numbered.

Response: Out of the eight deposits reviewed, there were no sequentially pre-numbered receipts. System reports, check stubs, and daily deposit sheets were used as receipts.

b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Response: All eight collections reviewed were traced to a deposit slip. The three collections not traced to the deposit slip were directly deposited.

c. Trace the deposit slip total to the actual deposit per the bank statement.

Response: All eight deposits were traced to the bank statements.

d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Response: All eight deposits were made within one business day.

e. Trace the actual deposit per the bank statement to the general ledger.

Response: All eight deposits were traced to the general ledger.

Exception: See above responses.

Management's Response: The Village will develop a written job duties for the employees responsible for collection, depositing, and reconciling cash. The written job duties will clearly define segregation of duties to insure that cash collections are complete and accurate.

Disbursements - General

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Response: Management provided a listing of locations that process payments and representation that the listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, 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.

Response: All employees can make purchase requests, and the Mayor approves purchase requests/orders. The Mayor cannot initiate a purchase request, and no other employee can approve a purchase request/order.

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

Response: Payments to vendors are processed by the Clerk or the Assistant Clerk through QuickBooks. The Mayor approves the payment to vendors. The Board of Aldermen review and approve all payments to vendors at the monthly meetings.

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.

Response: The Clerk adds vendors and processes payments; however, the Mayor and an Alderman must approve the purchase order form and confirm by signature that the vendor has been approved.

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.

Response: The Clerk or the Assistant Clerk mails payments, and both can process payments.

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

Response: Management provided the disbursement transaction population and representation that the population is complete.

a. Observe that the disbursement matched the related original invoice/billing statement.

Response: All 30 disbursements selected matched the related original invoice/billing statement.

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

Response: Of the 30 disbursements selected, five disbursements did not have a purchase request or purchase order. One of the five disbursements was a payment to the savings account that was withheld from employees and did not require a purchase order. The other four disbursements were to HUOC and did not require a purchase order (utility payments to a related party).

Exception: See above responses.

Management's Response: None.

Credit Cards

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

Response: Management provided a listing of credit cards, bank debit cards, fuel cards, and P-cards and representation that the listing is completed.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a. Observe 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.

Response: Four cards were tested and no statement was approved by someone other than the authorized card holder.

b. Observe that finance charges and late fees were not assessed on the selected statements.

Response: There were no finance charges or late fees on any of the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing).

a. For each transaction, observe that it is supported by:

i. An original itemized receipt that identifies precisely what was purchased,

Response: For each of the statements, all invoices were available and identified precisely what was purchased.

ii. Written documentation of the business/public purpose, and

Response: All transactions had documentation of the business/public purpose.

iii. Documentation of the individuals participating in meals (for meal charges only).

Response: No transactions were for meal charges.

Exception: See above responses.

Management's Response: The Village will amend its written policy and procedures on credit card purchases to insure that all statements and supporting documentation are approved, in writing, by someone other than the authorized card holder.

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:

Response: Management provided a listing of travel and related expense reimbursements and representation that the listing is complete.

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).

Response: There were no per diem reimbursements.

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

Response: Reimbursements were for actual costs, and actual costs were supported by an original itemized receipt.

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).

Response: All reimbursements listed the business/public purpose. No other documentation is required.

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

Response: Reimbursements were reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Exception: See above responses.

Management's Response: None.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period.

Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Response: Management provided representation that no new contracts products or services paid were initiated or renewed during the fiscal period.

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

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

c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exception: None.

Management's Response: None.

Payroll and Personnel

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

Response: Management provided a listing of employees/elected officials and representation that the listing is complete.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Response: All employees documented their daily attendance, but all employees reviewed were part-time and did not accumulate leave.

b. Observe that supervisors approved the attendance and leave of the selected employees/officials.

Response: All employees had their daily attendance documentation approved by supervisors, but all employees reviewed were part-time and did not accumulate leave.

c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Response: All employees reviewed were part-time and did not accumulate leave.

18. Obtain 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.

Response: Two employees were terminated, but these employees were part-time and did not accumulate leave. Termination payments were in agreement with leave records and pay rates.

19. Obtain 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.

Response: Management provided 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.

Exception: See above responses.

Management's Response: None.

Ethics

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

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

Response: Out of five employees reviewed, one did not have documentation of completed ethics training.

b. Observe 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.

Response: Out of five employees reviewed, two had no documentation of employee signature verification that he or she has read the entity's ethics policy.

Exception: See above responses.

Management's Response: The Village will have all employees complete the one hour ethics training available to all governmental entities as part of the employees' orientation to working for the Village. Records of this training will be kept in the personnel files. The Village will document that all employees have read the entity's ethics policy with signature verification in the personnel files of each employee.

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.

Response: None.

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.

Response: None.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Response: Management has provided representation that there were no misappropriations of public funds and assets during the fiscal period.

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

Response: We observed the notice posted in the Village Hall.

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

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

Kenneth D. Felden & Co., CPAs

Jonesboro, Louisiana
November 12, 2019

(318) 259-4704 - PH
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4693 QUITMAN HWY.
P.O. BOX 280
HODGE, LA 71247

GERALD T. PALMER
MAYOR

November 12, 2019

Kenneth D. Folden & Co., CPAs
302 Eighth Street
Jonesboro, Louisiana

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period *July 1, 2018 through June 30, 2019*, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; non-payroll disbursements; credit/debit/fuel/purchasing cards; travel and travel-related expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas as applicable.

Yes No

2. For the fiscal period *July 1, 2018 through June 30, 2019*, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes No

3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes No

4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes No

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between June 30, 2019, and November 12, 2019.
- Yes No
6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.
- Yes No
7. We represent that the listing of bank accounts for the fiscal period that we provided to you is complete. We also represent that we have identified and disclosed to you our main operating account.
- Yes No
8. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.
- Yes No
9. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.
- Yes No
10. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.
- Yes No
11. We represent that the non-payroll disbursement transaction population for each location that processes payments for the fiscal period that we provided to you is complete.
- Yes No
12. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, that we provided to you is complete.
- Yes No
13. We represent that the listing of all travel and travel-related expense reimbursements during the fiscal period that we provided to you is complete.
- Yes No

14. We represent that the listing of all agreements/contracts (or active vendors) for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period that we provided to you is complete.

Yes No

15. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.

Yes No

16. We represent that the listing of employees/officials that received termination payments during the fiscal period that we provided to you is complete.

Yes No

17. We represent that the 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 during the fiscal period.

Yes No

18. We represent that the listing of bonds/notes issued during the fiscal period that we provided to you is complete.

Yes No

19. We represent that the listing of bonds/notes outstanding at the end of the fiscal period that we provided to you is complete.

Yes No

20. We represent that the listing of misappropriations of public funds and assets during the fiscal period that we provided to you is complete.

Yes No

21. We have disclosed to you other data you deemed necessary to complete SAUPs.

Yes No

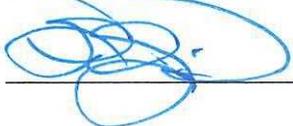
22. We have responded fully to all inquiries made by you during the engagement.
Yes No

23. We are not aware of any events that have occurred subsequent to *June 30, 2019*, that would require adjustment to or modification of the results of the agreed-upon procedures.
Yes No

The previous responses have been made to the best of our belief and knowledge.

Signature  Date November 12, 2019

Title Mayor

Signature  Date November 12, 2019

Title Clerk