

VILLAGE OF NORTH HODGE, LOUISIANA
NORTH HODGE, LOUISIANA

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTAL INFORMATION
As of And for The Year Ended September 30, 2017**

BY

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North Hodge, Louisiana

**Financial Statements
and Independent Auditor's Report
With Supplemental Information
As of and for the Year Ended September 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of North Hodge, Louisiana (the "Village"), as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village as of September 30, 2017 and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 and the budgetary comparison information on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 15, 2018 on my consideration of the Village's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
March 15, 2018

REQUIRED SUPPLEMENTAL INFORMATION

(Part 1 of 2)

VILLAGE OF NORTH HODGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2017

The discussion and analysis of the Village of North Hodge's financial performance provides an overview of the financial activities for the year ended September 30, 2017. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 14.

Basic Financial Statements

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

Statement of Net Position and Statement of Activities

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

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

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

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

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

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

Government-Wide Financial Analysis

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

TABLE 1-SEPTEMBER 30, 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and Other Assets	\$ 41,917	\$ 32,526	\$ 21,533	\$ 46,471	\$ 63,450	\$ 78,997
Capital Assets (Net)	153,220	170,879	1,707,767	1,767,425	1,860,987	1,938,304
Total Assets	195,137	203,405	1,729,300	1,813,896	1,924,437	2,017,301
LIABILITIES						
Current Liabilities	39,836	39,201	84,138	91,965	123,974	131,166
Non-current Liabilities	-	-	283,286	307,088	283,286	307,088
Total Liabilities	39,836	39,201	367,424	399,053	407,260	438,254
NET POSITION						
Invested in Capital Assets Net of Debt	153,220	170,879	1,417,371	1,459,868	1,570,591	1,630,747
Unrestricted	2,081	(6,675)	(55,495)	(45,025)	(53,414)	(51,700)
Total Net Position	\$155,301	\$164,204	\$1,361,876	\$1,414,843	\$1,517,177	\$1,579,047

For the year ending September 30, 2017, total net position decreased 4% (-\$61,870) compared to the prior year. There was a deficit of \$53,414 in unrestricted net position at the end of the current year. Unrestricted net position can be used to finance the day-to-day operations of the Village without constraints.

The largest portion, \$1,570,591, of the Village's net position is invested in capital assets. These capital assets consist of land, water and sewer system, streets, improvements, office furniture, and equipment. The Village uses these capital assets to provide services to its citizens; consequently, capital assets are not available for future spending.

The Village's total net position included no restricted amounts for 2017.

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

TABLE 2 CHANGE IN NET POSITION-SEPTEMBER 30, 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 113,089	\$ 112,420	\$ 113,089	\$ 112,420
Fines and Forfeitures	130,820	91,181	-	-	130,820	91,181
Operating Grants and Contributions	2,949	-	-	2,013	2,949	2,013
Capital Grants and Contributions	-	-	-	167,720	-	167,720
General Revenues:						
Taxes	69,167	68,639	-	-	69,167	68,639
Licenses	3,885	4,542	-	-	3,885	4,542
Other	720	2,138	10	355	730	2,493
Total Revenues	<u>207,541</u>	<u>166,500</u>	<u>113,099</u>	<u>282,508</u>	<u>320,640</u>	<u>449,008</u>
Program Expenses						
General Government	90,385	90,344	-	-	90,385	90,344
Police	80,792	71,098	-	-	80,792	71,098
Streets	19,470	32,199	-	-	19,470	32,199
Water and Sewer	-	-	178,926	170,645	178,926	170,645
Interest on Bond Debt	-	-	15,506	16,383	15,506	16,383
Total Expenses	<u>190,647</u>	<u>193,641</u>	<u>194,432</u>	<u>187,028</u>	<u>385,079</u>	<u>380,669</u>
Interfund Transfers In (Out)	(22,569)	(8,281)	22,569	8,281	-	-
Increase (Decrease) in Net Position	(5,675)	(35,422)	(58,764)	103,761	(64,439)	68,339
Net Position-Beginning	164,204	199,626	1,414,843	1,311,082	1,579,047	1,510,708
Prior Period Adjustment	(3,228)	-	5,797	-	2,569	-
Net Position - Ending	<u>\$ 155,301</u>	<u>\$ 164,204</u>	<u>\$ 1,361,876</u>	<u>\$ 1,414,843</u>	<u>\$ 1,517,177</u>	<u>\$ 1,579,047</u>

Governmental activities were responsible for a \$5,675 decrease in the Village's net position for the year ended September 30, 2017. Revenue from police fines increased \$39,639 in 2017. The Village's General government had an overall increase in revenue of \$41,041 compared to 2016. General government expenses decreased by \$2,994. The decrease in net position was due primarily to transfer of \$22,569 to the business-type activities.

Business-type activities decreased net position by \$58,764 for the year ended September 30, 2017, compared to an increase of \$103,761 for 2016. The decrease in net position was primarily due to a decrease in capital grants contributions.

Fund Financial Statements

As of September 30, 2017, the Village's governmental funds reported a surplus fund balance of \$2,081 which is \$8,756 increase from the 2016 fund balance.

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

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

Governmental Funds Budgetary Highlights

The Village of North Hodge amends its budget when it is determined that there are unexpected differences between actual and anticipated revenues and/or expenditures. A budget amendment was adopted for the year ended September 30, 2017.

For the year ended September 30, 2017, there was an unfavorable variance of \$1,859 between budgeted revenue versus actual amounts exceeding 1% of the amounts budgeted which is a 17% improvement from the budget variance in 2016. The variance between budgeted and actual expenses was \$787 favorable, less than 1%. The Village reported an excess of \$11,984 in revenue over expenses. Also, the Village had a favorable budget variance of \$5,031 in the amounts transferred funds to the water and sewer which was 18% favorable.

Business-type Activity Budgetary Highlights

The Village of North Hodge adopted a separate budget for its business-type activities (water and sewer fund) for the year ended September 30, 2017. Business-type activities had an unfavorable revenue variance of \$29,001, 20%; and it had an unfavorable expense variance of \$16,168, 14%. After transfers of \$22,569 from the General Fund, the business-type activities had an unfavorable variance of \$20,267, 58%, in deficiency of revenues and other sources of funds over expenses and other uses of funds for the year ended September 30, 2017.

To eliminate the deficit, we are implementing cost cutting measures, such as a cut in personnel hours.

Capital Assets and Debt Administration

The Village had outstanding bond debt of \$290,396 for the year ending September 30, 2017. Principal payments of \$17,161 and interest payments of \$15,506 were made in 2017 on the outstanding debt. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

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

Requests for Additional Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Net Position
September 30, 2017

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 4,168	\$ 355	\$ 4,523
Receivables	5,843	10,685	16,528
Due from Other Funds	31,906	-	31,906
Restricted Assets:			
Cash & Cash Equivalents	-	10,068	10,068
Investments	-	425	425
Capital Assets (Net of Accumulated Depreciation)	153,220	1,707,767	1,860,987
Total Assets	<u>195,137</u>	<u>1,729,300</u>	<u>1,924,437</u>
Liabilities			
Current Liabilities			
Accrued Liabilities	39,836	33,692	73,528
Due to Other Funds	-	31,906	31,906
Current Portion of Long-Term Debt	-	18,052	18,052
Bond Interest Payable	-	488	488
Total Current Liabilities	<u>39,836</u>	<u>84,138</u>	<u>123,974</u>
Non-current Liabilities			
Meter Deposits	-	10,942	10,942
Bonds Payable	-	272,344	272,344
Total Non-current Liabilities	<u>-</u>	<u>283,286</u>	<u>283,286</u>
Total Liabilities	<u>39,836</u>	<u>367,424</u>	<u>407,260</u>
Net Position			
Invested in Capital Assets Net of Related Debt	153,220	1,417,371	1,570,591
Unrestricted	2,081	(55,495)	(53,414)
Total Net Position	<u>\$ 155,301</u>	<u>\$ 1,361,876</u>	<u>1,517,177</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 90,385	\$ -	\$ -	\$ -	\$ (90,385)	\$ -	\$ (90,385)
Public Safety	80,792	-	2,949	-	(77,843)	-	(77,843)
Streets	19,470	-	-	-	(19,470)	-	(19,470)
Total Governmental Activities	<u>190,647</u>	<u>-</u>	<u>2,949</u>	<u>-</u>	<u>(187,698)</u>	<u>-</u>	<u>(187,698)</u>
Business Type Activities:							
Water and Sewer	178,926	113,089	-	-	\$ -	(65,837)	(65,837)
Interest on Long-Term Debt	15,506	-	-	-	-	(15,506)	(15,506)
Total Business Type Activities	<u>194,432</u>	<u>113,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,343)</u>	<u>(81,343)</u>
Total Primary Government	<u>\$ 385,079</u>	<u>\$ 113,089</u>	<u>\$ 2,949</u>	<u>\$ -</u>	<u>\$ (187,698)</u>	<u>\$ (81,343)</u>	<u>\$ (269,041)</u>
<i>General Revenues:</i>							
Taxes							
Property Taxes Levied for General Purposes					6,982	-	6,982
Electronic Video Bingo					45,455	-	45,455
Franchise Tax					7,357	-	7,357
Sales Taxes					9,373	-	9,373
Fines					130,820	-	130,820
Licenses and Permits					3,885	-	3,885
Investment Earnings					1	10	11
Other Revenue					719	-	719
Transfers In (Out)					(22,569)	22,569	-
Total General Revenues					<u>182,023</u>	<u>22,579</u>	<u>204,602</u>
Change in Net Position					<u>(5,675)</u>	<u>(58,764)</u>	<u>(64,439)</u>
Net Position-October 1, 2016					164,204	1,414,843	1,579,047
Prior Period Adjustment					(3,228)	5,797	2,569
Net Position-September 30, 2017					<u>\$ 155,301</u>	<u>\$ 1,361,876</u>	<u>\$ 1,517,177</u>

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

FUND FINANCIAL STATEMENTS

VILLAGE OF NORTH HODGE, LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2017

Assets

Cash	\$	4,168
Receivables (net)		5,843
Due From Other Funds		31,906
Total Assets		<u>41,917</u>

Liabilities and Fund Balances

Liabilities:

Accrued Liabilities		39,836
Total Liabilities		<u>39,836</u>

Fund Balances:

Nonspendable		-
Unassigned		2,081
Total Fund Balances		<u>2,081</u>

Total Liabilities and
Fund Balances

\$ 41,917

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

VILLAGE OF NORTH HODGE, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended
September 30, 2017

Revenues

Property Taxes	\$ 6,982
Electronic Bingo	45,455
Franchise Taxes	7,357
Sales Taxes	9,373
Fines	130,820
Licenses and Permits	3,885
Other Revenues	720
Total Revenues	204,592

Expenditures

Current:

General Government	89,030
Public Safety	79,878
Streets	4,080
Total Expenditures	172,988

Excess of Expenditures Over Revenue	31,604
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Other Financing Sources

Grants	2,949
Interfund Transfers In (Out)	(22,569)

Total Other Financing Sources	(19,620)
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Net Change in Fund Balances	11,984
Fund Balances-Beginning	(6,675)
Prior Period Adjustment	(3,228)
Fund Balances-Ending	\$ 2,081

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

VILLAGE OF NORTH HODGE, LOUISIANA

Reconciliation of The Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
September 30, 2017

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

Fund Balance, Total Governmental Funds	\$ 2,081
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	153,220
Net Assets of Governmental Activities	<u>\$ 155,301</u>

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

VILLAGE OF NORTH HODGE LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Years Ended September 30, 2017

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

Net Change in Fund Balances, Total governmental Funds	\$	11,984
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		<u>(17,659)</u>
Changes in Net Position of Governmental Activities	\$	<u>(5,675)</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Fund Net Position
 Proprietary Fund
 September 30, 2017

	<u>Water and Sewer Enterprise Fund</u>
Assets	
Current and Accrued Assets:	
Cash	\$ 355
Customer Accounts Receivable	10,685
Grants Receivable	-
Total Current and Accrued Assets	<u>11,040</u>
Restricted Assets:	
Cash	10,068
Investments	425
Total Restricted Assets	<u>10,493</u>
Utility Plant:	
Capital Assets Net of Accumulated Depreciation	<u>1,707,767</u>
Net Utility Plant	<u>1,707,767</u>
Total Assets	<u>1,729,300</u>
Liabilities	
Current Liabilities:	
Accrued Liabilities	33,692
Due to Other Funds	31,906
Current Portion of Bonds Payable	18,052
Bond Interest Payable	488
Total Current Liabilities	<u>84,138</u>
Liabilities Payable from Restricted Assets:	
Customer Deposits	<u>10,942</u>
Total Liabilities Payable from Restricted Assets	10,942
Long-Term Liabilities:	
Bonds Payable	<u>272,344</u>
Total Long-Term Liabilities	<u>272,344</u>
Total Liabilities	<u>367,424</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	1,417,371
Unrestricted	<u>(55,495)</u>
Total Net Position	<u>\$ 1,361,876</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended
 September 30, 2017

	<u>Water and Sewer Enterprise Fund</u>
Utility Operating Revenue:	
Charges for Water and Sewer	\$ 113,089
Other Income	-
Total Operating Revenue	<u>113,089</u>
Operating Expenses:	
Contract Labor	\$ 9,420
Depreciation Expense	59,658
Insurance	15,506
Office	3,451
Other Operating	12,441
Repairs and Maintenance	6,600
Salaries	63,659
Supplies	1,749
Telephone & Utilities	6,442
Vehicle	-
Total Operating Expenses	<u>178,926</u>
Utility Operating Loss	(65,837)
Other Income and Deductions:	
Grants	-
Interest and Dividend Revenue	10
Interest on Long-Term Debt	<u>(15,506)</u>
Total Other Income and Deductions	<u>(15,496)</u>
Income Before Transfers In (Out)	<u>(81,333)</u>
Operating Transfer In (Out)	<u>22,569</u>
Change in Net Position	(58,764)
Total Net Position, Beginning	1,414,843
Prior Period Adjustment	5,797
Total Net Position, Ending	<u>\$ 1,361,876</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Cash Flows
Proprietary Funds
September 30, 2017

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 113,327
Net Cash Refunds to Customer Deposits	(888)
Cash from Operating Grants	-
Other Cash Received	-
Cash Paid to Employees for Services	(63,799)
Cash Paid for Goods and Services	(54,409)
Prior Period Adjustment	5,797
Net Cash Provided by Operating Activities	<u>28</u>
Cash Flows from Non-Capital Financing Activities	
Interfund Liability/Asset	13,775
Transfers from (to) Other Funds	22,569
Net Cash Used by Non-Capital Financing Activities	<u>36,344</u>
Cash Flows from Capital and Related Financing Activities	
Decrease in Capital Grant Receivable	28,370
Operating Grant	-
Principal Paid on Bond Debt	(17,161)
Interest Paid on Long Term Debt	(15,551)
Net Cash Provided for Capital and Related Financing Activities	<u>(4,342)</u>
Cash Flows from Investing Activities	
Cash Paid for Improvements	-
Decrease in Capital Grant Expenses Payable	(28,370)
Cash Proceeds from Certificate of Deposit	-
Interest and Dividend Income	10
Net Cash Provided by Investing Activities	<u>(28,360)</u>
Net Decrease in Cash and Cash Equivalents	3,670
Cash and Cash Equivalents-Beginning	6,753
Cash and Cash Equivalents-Ending	<u>\$ 10,423</u>

Reconciliation of Cash and Cash Equivalents to the Balance Sheet

	<u>July 9, 1905</u>	
	<u>End of Year</u>	<u>Beginning of Year</u>
Cash and Cash Equivalents in Current and Accrued Assets	\$ 355	\$ 1,471
Restricted Cash and Cash Equivalents	10,068	5,282
	<u>\$ 10,423</u>	<u>\$ 6,753</u>

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

Utility Operating Income	\$ (65,837)
Adjustments:	
Depreciation Expense	59,658
Decrease (Increase) in Customer Accounts Receivables	238
Decrease (Increase) in Pre-paid Expenses	-
Increase in Accrued Liabilities	172
Decrease in Meter Deposits Payable	-
Prior Period Adjustment	5,797
Total Adjustments	<u>65,865</u>
Net Cash Provided by Operating Activities	<u>28</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended September 30, 2017

The Village of North Hodge, Louisiana, was incorporated August 5, 1953, under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government. Services provided by the Village include police protection and street maintenance. The Village also operates a water distribution system and sewer system for about 160 customers.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes the criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under these provisions, the Village of North Hodge is considered a primary government, since it is a general purpose local *government* that has an elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used by GASB, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Component units can be identified by financial accountability and whether exclusion would create misleading or incomplete financial statements. No component units were identified for the Village of North Hodge.

B. Basic Financial Statements--Government-Wide Statements

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

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

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

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

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

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

C. Basic Financial Statements--Fund Financial Statements

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

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

E. Budgetary Practices

The Village of North Hodge, Louisiana, was required to prepare an operating budget, on a basis consistent with generally accepted accounting principles, on its general fund for the year ended September 30, 2017, as required by Louisiana law. The proposed original budget for the fiscal year ended September 30, 2017 was adopted on December 6, 2016 which was 67 days after the beginning of the fiscal year. An amended budget for the fiscal year ended September 30, 2017 was adopted on September 5, 2017.

Although the Village was not required by statute to adopt a budget for the business-activity fund, a budget was adopted for the business-activity fund on December 6, 2016.

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

F. Cash Deposits and Investments

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

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

G. Restricted Assets

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

In compliance with its bond covenant, the Village is required to established restricted cash accounts for debt service and fund in the amount of \$213.80 per month effective October 1, 2014.

H. Compensated Absences

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

I. Use of Estimates

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

J. Inter-fund Receivables and Payables

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

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

fund financial statements balance sheets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

K. Equity Classifications

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

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

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

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

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

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

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

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

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

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

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

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

L. Statement of Cash Flows

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

M. Deferred Outflows of Resources and Deferred Inflows of Resources

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

N. Receivables

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

Ad valorem taxes are levied on a calendar year basis and become delinquent after December 31. The Village bills and collects its own ad valorem taxes. For the year ended September 30, 2017, ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

7.74 mills for the general maintenance of the Village. This millage was approved by the Board of Aldermen July 1, 2013. This millage is the maximum millage that can be assessed without the approval of voters.

For the year ended September 30, 2017, taxes of \$6,982 were levied on property. Taxes receivable at September 30, 2017 consisted of the following:

Taxes Receivable	\$ 768
Allowance for Uncollectible Taxes	-
Net Ad Valorem Taxes Receivable	<u>\$ 768</u>

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

Longleaf Estates	\$ 599
Alltel Comm Wireless, Inc.	325
Atmos Energy, Louisiana	<u>222</u>
Total	<u>\$ 1,146</u>

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

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

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	10 to 20 years
Streets	20 years
Water and Sewer Systems	10 to 50 years
Machinery, Equipment, and Furniture	5 to 10 years

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

P. Interfund Transfers

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

Q. Prepaid Insurance

Payments made to insurance companies for insurance coverage that will benefit periods beyond September 30, 2017 are recorded as prepaid items in the asset section of the fund financial statements balance sheet.

R. Defining Operating Revenues and Expenses

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

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

NOTE 2 - CASH

At September 30, 2017, the Village has cash and restricted cash (book balances) as follows:

	Cash	Certificate of Deposit	Total
Unrestricted			
Cash on Hand	\$ 200	\$ -	\$ 200
Demand Deposits	4,323	-	4,323
Restricted			
Demand Deposits	10,068	-	10,068
Time Deposit	-	425	425
Total	\$ 14,591	\$ 425	\$ 15,016

The Village maintains its cash accounts at a local bank which provides Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000 for all demand deposits and \$250,000 for all time deposits. At September 30, 2017, the Village has \$15,016 in deposits (collected bank balances), which is secured from risk by FDIC insurance.

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

NOTE 3 - INTERFUND RECEIVABLE/PAYABLE

For the year ended September 30, 2017, interfund receivables and payables are as follows:

Due to General Government from Sewer and Water	\$ (31,906)
Due from Sewer and Water to General Government	31,906
Net Interfund Receivables & Payables	\$ -

NOTE 4 - RESTRICTED ASSETS

Restricted assets for the proprietary fund were applicable to the following at September 30, 2017:

Customers' Deposits	\$ 5,390
Debt Service	5,103
Total	\$ 10,493

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

NOTE 5 - RECEIVABLES

Accounts receivable consisted of customer billings for water and sewer usage. There were 158 customer accounts totaling \$10,685 consisting of 54 customers with past due balances of \$4,050 at September 30, 2017.

NOTE 6 - ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2017 for the Village is as follows:

	Balance 10/1/16	Additions	Deletions	Balance 9/30/17
Government Activities:				
Capital Assets				
Land	\$ 2,775	\$ -	\$ -	\$ 2,775
Buildings	20,441	-	-	20,441
Improvements	11,895	-	-	11,895
Streets	221,007	-	-	221,007
Equipment	93,784	-	-	93,784
Total Capital Assets	<u>349,902</u>	-	-	<u>349,902</u>
Less Accumulated Depreciation				
Buildings	16,686	259	-	16,945
Improvements	2,463	638	-	3,101
Streets	78,272	11,051	-	89,323
Equipment	81,602	5,711	-	87,313
Total Accumulated Depreciation	<u>179,023</u>	<u>17,659</u>	-	<u>196,682</u>
Governmental Capital Assets, Net	<u>\$ 170,879</u>	<u>\$ (17,659)</u>	<u>\$ -</u>	<u>\$ 153,220</u>
	Balance 10/1/16	Additions	Deletions	Balance 9/30/17
Business-Type Activities				
Capital Assets				
Land	\$ 20,127	\$ -	\$ -	\$ 20,127
Buildings	1,955	-	-	1,955
Machinery and Equipment	58,809	-	-	58,809
Water and Sewer System	2,799,648	-	-	2,799,648
Total	<u>2,880,539</u>	-	-	<u>2,880,539</u>
Less Accumulated Depreciation				
Buildings	1,955	-	-	1,955
Machinery and Equipment	57,138	16,422	-	73,560
Water and Sewer System	1,054,021	43,236	-	1,097,257
Total Accumulated Depreciation	<u>1,113,114</u>	<u>59,658</u>	-	<u>1,172,772</u>
Business-Type Capital Assets, Net	<u>\$ 1,767,425</u>	<u>\$ (59,658)</u>	<u>\$ -</u>	<u>\$ 1,707,767</u>

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

NOTE 7 - LONG-TERM DEBT

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

Revenue Bonds

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

Balance at October 1	\$290,441
Less: Current Maturities	(18,052)
Adjustment	<u>(45)</u>
Long-Term Debt, Net of Current Maturities	<u><u>\$272,344</u></u>

The annual debt service requirements to maturity to all issued debt outstanding as of September 30, 2017 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	18,995	13,718
2020	19,992	12,721
2021	21,043	11,670
2022	32,166	22,298
2023	33,945	22,550
2024-2029	<u>146,203</u>	<u>41,412</u>
Total	<u><u>\$272,344</u></u>	<u><u>\$124,369</u></u>

At September 30, 2017, the debt reserve account was required to be funded as follows:

Required Beginning Balance	\$ 5,131
Required 2017 Deposits	<u>2,566</u>
Required Ending Balance	<u>7,697</u>
Actual Balance	<u>5,103</u>
Surplus (Deficit) Funding	<u><u>\$ (2,594)</u></u>

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

NOTE 8 – PRIOR PERIOD ADJUSTMENTS

At September 30, 2017, the Village had the following prior period adjustment:

	<u>General Fund</u>	<u>Sewer & Water</u>	<u>Total</u>
Voided Checks	\$ -	\$ 980	\$ 980
Overstated Income	(3,228)	-	(3,228)
Overstated Customer Deposits	-	4,817	4,817
Total	<u>\$ (3,228)</u>	<u>\$ 5,797</u>	<u>\$ 2,569</u>

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 15, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

(Part 2 of 2)

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
Year Ended September 30, 2017

	Budget Amounts		Actual	Variance with Final Budget	
	Original	Final		\$	%
REVENUE					
Taxes					
Ad Valorem	7,200	6,900	6,982	(82)	-1%
Electronic Bingo	48,000	48,000	45,455	2,545	5%
Franchise/Insurance	11,000	11,000	7,357	3,643	33%
Sales	10,000	7,500	9,373	(1,873)	-25%
Licenses and Permits	12,940	6,000	3,885	2,115	35%
Fines and Forfeitures	110,000	130,000	130,820	(820)	-1%
Grants	7,500	-	2,949	(2,949)	0%
Interest and Miscellaneous	10,700	-	720	(720)	-100%
Total Revenues	<u>217,340</u>	<u>209,400</u>	<u>207,541</u>	<u>1,859</u>	<u>1%</u>
EXPENDITURES					
Current:					
General Government	108,730	94,500	89,030	5,470	6%
Public Safety	86,300	70,750	79,878	(9,128)	-13%
Highways and Streets	11,260	8,525	4,080	4,445	52%
Total Expenditures	<u>206,290</u>	<u>173,775</u>	<u>172,988</u>	<u>787</u>	<u>0%</u>
Excess (Deficiency) of Revenues Over Expenditures	11,050	35,625	34,553	1,072	3%
OTHER FINANCING SOURCES (USES)					
Transfers from (to) Other Funds	<u>8,300</u>	<u>(27,600)</u>	<u>(22,569)</u>	<u>(5,031)</u>	<u>18%</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>19,350</u>	<u>8,025</u>	<u>11,984</u>	<u>(3,959)</u>	<u>-49%</u>
Fund Balances (Deficit) , Beginning	12,964	-	(6,675)	6,675	100%
Prior Period Adjustment	-	-	(3,228)	3,228	100%
Fund Balances, Ending	<u>\$ 32,314</u>	<u>\$ 8,025</u>	<u>\$ 2,081</u>	<u>\$ 5,944</u>	<u>74%</u>

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

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL-PROPRIETARY FUNDS
 Year Ended September 30, 2017

	Budget Amounts		Actual	Variance with Final Budget	
	Original	Final		\$	%
REVENUE					
Water and Sewer Charges	\$ 120,000	\$ 120,000	\$ 113,089	6,911	6%
Other Revenue	22,100	22,100	10	22,090	100%
Total Revenues	<u>142,100</u>	<u>142,100</u>	<u>113,099</u>	<u>29,001</u>	<u>20%</u>
EXPENSES					
Contract Labor	7,000	7,000	9,420	(2,420)	-35%
Insurance	6,100	6,100	15,506	(9,406)	-154%
Office	1,200	1,200	3,451	(2,251)	-188%
Other Operating	9,700	9,700	12,441	(2,741)	-28%
Repairs and Maintenance	11,000	11,000	6,600	4,400	40%
Salaries	55,000	55,000	63,659	(8,659)	-16%
Supplies	2,500	2,500	1,749	751	30%
Telephone & Utilities	10,600	10,600	6,442	4,158	39%
Total Expenditures	<u>103,100</u>	<u>103,100</u>	<u>119,268</u>	<u>(16,168)</u>	<u>-14%</u>
Excess (Deficiency) of Revenues Over Expenditures	39,000	39,000	(6,169)	45,169	116%
OTHER FINANCING SOURCES (USES)					
Debt Service	35,000	35,000	32,667	2,333	7%
Transfers from (to) Other Funds	-	-	22,569	(22,569)	-100%
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>35,000</u>	<u>55,236</u>	<u>(20,236)</u>	<u>-58%</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ 74,000</u>	<u>\$ 74,000</u>	<u>\$ 49,067</u>	<u>\$ 24,933</u>	<u>34%</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended September 30, 2017

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

Name	Title	Term	Compensation 2017
Kathy Robertson	Mayor	01/01/15-12/31/18	\$ 8,550
Anthony E. Duffey	Alderman	01/01/15-12/31/18	3,300
J. W. Tumlin	Alderman	01/01/15-12/31/18	3,300
Chasity Womack	Alderman	01/01/15-12/31/18	3,300
Total Mayor's and Alderman's Compensation			\$ 18,450

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and for the Year Ended September 30, 2017

Agency Head Name: Mayor Kathy Robertson

<u>Name</u>	<u>Term</u>	<u>2017</u>
Kathy Robertson	01/01/15-12/31/18	
Salary		\$ 8,550
Mileage Reimbursement		<u>-</u>
Total Compensation, Benefits, and Other Payments to Agency Head		<u>\$ 8,550</u>



ROSIE D. HARPER

Certified Public Accountant, LLP

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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*

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Village of North Hodge, Louisiana (the "Village"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued my report thereon dated March 15, 2018.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-1 that I consider to be a material weakness.

Village of North Hodge, Louisiana
Independent Auditor's Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-2 through 2017-9.

Village's Responses to Findings

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

Purpose of this Report

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

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



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
March 15, 2018

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended September 30, 2017

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of North Hodge, Louisiana (the "Village"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued my report thereon dated March 15, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of September 30, 2017 resulted in an unmodified opinion.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Significant Deficiencies Yes No

Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

2017-1: Inadequate Segregation of Duties (Repeat Finding 2014-present)

Criteria: Adequate segregation of duties reduces the risks that errors or irregularities will not be prevented or detected on a timely basis by employees in the normal course of business.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Inadequate segregation of duties create risks that errors or irregularities will not be prevented or detected on a timely basis by employees in the normal course of business.

Recommendation: In those instances, where duties cannot be fully segregated, mitigating or compensating controls must be established, such as documented detailed reviews by an appropriate supervisor or employee.

Management's response and Planned corrective action:

As I stated last year, The Village now has a system in place to adequately segregate the duties with checks and balances by adding an extra person for verification. I am also more involved in the process myself which provides extra checks and balances. One Example is: Deposits are now being counted out and verified by a second person, with documentation of the matter being kept.

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

We attempted to keep two people in the office to handle this matter. We had them throughout most of the last year. However, we have found that it is unfeasible to continue having two full time employees in the office. In addition to funding limitations, we lost an employee that resigned a few months ago, leaving us short-handed.

My solution now is to call in the Maintenance Supervisor from his other duties on an as needed basis to help with internal controls and verification. This way, we still have benefit of internal controls, but not the full expense. I will continue to work any way feasible to have a second person involved in the process for verification.

2017-2: Operating Deficit in Water and Sewer Fund

Criteria: The Village adopted a budget for its water and sewer fund. The budget should be monitored and revised as needed to maintain a balanced budget.

Condition: For the year ended September 30, 2017, the Sewer and Water Fund had a 20% unfavorable variance for revenue and a 14% unfavorable variance for expenses.

Cause: The budget amounts do not reflect a realistic projection of actual revenue and expenses. The budget of the water and sewer fund is not being timely monitored and amended as it becomes necessary.

Effect: The Village had an operating deficit and a budget which is not balanced. Variances of the operating budget for the water and sewer fund exceeds a 5% unfavorable variance for both revenue and expenses.

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

Management's response and Planned corrective action:

In an attempt to correct the inadequate segregation of duties issue, I hired two employees in the office. This contributed to the deficit, as we could not really afford the additional employee. To eliminate some of the cost, the Maintenance Supervisor is performing some of the clerical duties in the office. Also, we have been unsuccessful in getting the votes needed from the board of alderman to increase utility rates.

To address preparing a more realistic budget, the Village has engaged the services of an outside certified public accountant. Every effort will be taken to ensure the budget is timely monitored and amended as needed.

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

2017-3: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (Repeat Finding)

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

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

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

Cause: For the year ended September 30, 2017, the balances in the accounts restricted for utility security deposits were insufficient to meet the customer deposit liability.

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

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

Management's response and Planned corrective action:

As I stated last year, after I took office in 2015, we discovered that the previous administration had left the utility balance underfunded. I was told money had been taken out prior to my taking office to purchase items for the Village, unrelated to meter deposits. In early 2015, an employee from the previous administration, notified me of a certificate of deposit from several years back, that she had found that could help us pay the past due 941 payroll taxes from the last administration. Apparently, no one was aware of the origin and the purpose of the money that was placed into the CD. It is now speculated that it was meter fund money. Due to the amount and age, I do not know if that was the case for sure. It would have provided approximately more than half of the underfunding.

Since I became aware of the purpose of the CD, no funds have been withdrawn from the account. The funds will be use only for the meter security deposits. I plan to continue following the steps implemented last year to make deposits back into the account on a monthly basis to correct the underfunding.

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

2017-4: Failure to enact, record and publish ordinances as required by R.S. 33:406.
(Repeat Finding)

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

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

Condition: For the fiscal year ended September 30, 2017, the Village passed four ordinances. Two of the ordinances were not timely published after the adoption as required by R.S. 33:406. One of the ordinances was published after the effective date.

Cause: The Village management did not understand and comply with the requirements of R.S. 33:406.

Effect: The Village failed to comply with R.S. 33:406.

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

Management's response and Planned corrective action:

To ensure compliance with the timeline required to publish ordinances, the Village has established a policy to prepare a schedule which tracks each significant date to adopt ordinances. The schedule will be monitored by the Mayor and clerk.

2017-5: Failure to submit a copy of traffic violations to the Office of Motor Vehicles
(Repeat Finding)

Criteria: R.S. 32:393 requires that when a person is convicted of a traffic violation and sentenced or his bail is forfeited or other final disposition is made, an abstract of the report (excluding parking convictions) should be sent by the court or the district attorney to the Office of Motor Vehicles (OMV). The report should be sent no later than 30 days after the date of conviction and sentencing, forfeiture of bail and final judgment of forfeiture, or the final disposition of case.

Condition: Traffic tickets for convicted violators are not provided to OMV.

Cause: The court clerk and chief of police believed if an offender pays a ticket before the scheduled court date, there was no requirement to submit the tickets of convicted traffic violators to OMV.

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

Effect: The Village is in violation of state law R.S. 32:393 which requires that when a person is convicted of a traffic violation and sentenced or his bail is forfeited or other final disposition is made, an abstract of the report (excluding parking convictions) will be sent by the court or the district attorney to the Office of Motor Vehicles (OMV).

Recommendation: The Village should comply with state law R.S. 32:393 which requires that when a person is convicted of a traffic violation and sentenced or his bail is forfeited or other final disposition is made, an abstract of the report (excluding parking convictions) will be sent by the court or the district attorney to the Office of Motor Vehicles (OMV).

Management's response and Planned corrective action:

As I stated last year, the cause was as listed, going back many years, well before I took office, it was Village's policy to not submit traffic tickets to the OMV if the offender paid a ticket before the scheduled court date. As stated, the Chief nor the Court Clerk believed this was a requirement.

After the conclusion of the audit last year, the clerks were misinformed by OMV that only unpaid tickets were supposed to be submitted to OMV. We have been provided further clarification during this audit and will submit copies all traffic tickets for convicted violaters.

2017-6 Noncompliance with revenue bond covenant agreement (Repeat Finding)

Criteria: The resolution authorizing the sewer revenue bonds requires that the Village establish separate sinking fund. Monthly deposits of \$213.80 are required to be made to the fund.

Condition: For the year ended September 30, 2017. The fund was under-funded by \$2,594.

Cause: The required monthly deposits are not being made into the debt sinking fund

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

Recommendation: Funds should be timely deposited to the sewer revenue bond restricted cash accounts to fund the minimum required balances.

Management's response and Planned corrective action:

The deficit in the reserve fund has been decreased by 40%, from \$4,313 last year to the current \$2,594. We will continue to make additional deposits to eliminate the deficit by the end of the fiscal year ending September 30, 2018.

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

2017-7 Untimely payroll tax payments (Repeat Finding)

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

Condition: For the year ended September 30, 2017, the Village had unpaid federal payroll taxes, penalties and interest of \$45,111 and unpaid state payroll taxes, penalties and interest \$19,676.

Cause: Funds necessary to pay these amounts when originally due were not available.

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

Recommendation: The Village should pay all payroll liability obligations timely. The Village has an installment agreement to settle the back federal payroll liabilities. The Village should contact the Louisiana Department of Revenue and the Louisiana Workforce Commission to settle back state payroll liabilities.

Management's response and Planned corrective action:

After I took office in January 2015, I discovered this was one of the bills that had been neglected and was underpaid by the former administration. In an attempt to catch up the old tax bills, we fell behind on current ones

Presently, we have had all current state and federal taxes paid. We have paid the full balance to the Louisiana Department of Revenue and are no longer in arrears with them. I worked out a payment arrangement with the Department of Treasury for the past due balance. We are current and in good standing with all payments for the payment agreement with IRS. We are currently working on an installment agreement with the Louisiana Workforce Commission. We expect to finalize the agreement shortly.

All federal taxes were and are being paid timely. However, the clerk did not file the related reports. All of these reports have been filed with IRS and will be filed timely in the future. Additionally, I have contacted a CPA to assist with an offer in compromise for the past due federal payroll taxes. If the offer in compromise is accepted by IRS, the tax liability will be settled for a lesser amount than the current back taxes owed.

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

2017-8 Noncompliance with Local Government Budget Act to properly adopt budget (Repeat Finding)

Criteria: The Village is subject to the Louisiana Local Government Budget Act as set forth in LSA-R.S. 39:1301-1315. The state law requires the budget to be adopted before the beginning of the fiscal year, a public hearing to be held before adoption and the budget to be published within twenty days after adoption in the official journal.

Condition: For the year ended September 30, 2017, the Village's budget was adopted after the beginning of the fiscal year. The next fiscal year budget was adopted timely but was not published timely.

Cause: The board of aldermen did not vote to adopt a budget before the end of the fiscal year.

Effect: The Village is not in compliance with the Local Government Budget Act.

Recommendation: The Village should comply with the proper procedures to adopt a budget as stated in the Local Government Budget Act.

Management's response and Planned corrective action:

The budget was presented to the board of alderman on September 20, 2016 for approval. However, it did not pass for lack of the required vote. A successful vote was not received until December 6, 2016. As I stated last year, to ensure compliance with the state law, the assistance in preparing the budget will be provided by engaging the services of an outside CPA. A CPA was hired to assist with the preparation of the budget for the current fiscal year. The budget process has greatly improved by implementing this procedure. The 2017-2018 budget was passed and adopted without any issues.

To ensure compliance with the timeline required to publish ordinances, the Village has established a policy to prepare a schedule which tracks each significant date to adopt ordinances. The schedule will be monitored by the Mayor and clerk.

2017-9 Noncompliance with the Code of Governmental Ethics pursuant to LA R.S.42:1170A

Criteria: Louisiana Revised Statute 42:1170A states, "Public servants and elected officials are required to take one hour of training per calendar year on the Code of Governmental Ethics pursuant to LA R.S. 42:1170A". The elected aldermen are subject to this statute.

Condition: Two of the aldermen, J. W. Tumblin, Jr. and Anthony Duffey, did not take the one hour of ethics training required by LA R.S. 42:1170A. Cause: The board of aldermen did not vote to adopt a budget before the end of the fiscal year.

Cause: The aldermen were unaware of the requirement to take one hour of ethics training annually.

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

Effect: The aldermen were not in compliance with LA R.S. 42:1170A.

Recommendation: The Mayor and Aldermen should establish a procedure to monitor and ensure the ethics training of elected officials.

Management's response and Planned corrective action:

Every effort has been made to ensure each of the elected officials are aware of the compliance requirements of the Louisiana Ethics Law. I will work with the aldermen to assign an individual with the responsibility of monitoring compliance of each elected official of the Village. A compliance document will be created for each elected official to sign certifying that they have met all of the required financial disclosure filings and annual training in compliance with LA R.S. 42:1170A.

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2017

FINDINGS-FINANCIAL STATEMENTS AUDIT

2014-1. Separation of Duties. The Village of North Hodge has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

STATUS: **UNCLEARED**

2014-2. Inadequate Controls over Preparation of the Financial Statements. Personnel of the Village of North Hodge do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles that are in conformity with generally accepted accounting principles. However, they can understand the key issues identified, make any required management decisions, and fulfill the competency requirements, so that they can accept responsibility for the financial statements. Controls could be strengthened by providing personnel with additional training.

STATUS: **CLEARED**

2014-3. Unfavorable Budget Variance. The general fund of the Village of North Hodge had an unfavorable budget variance of 85% for expenditures. According to state law, the budget should be amended when anticipated amounts exceed budget estimates by more than 5%. I recommend that when unfavorable budget variances in excess of 5% are anticipated, that the mayor prepare budget amendments to propose to the board of aldermen for approval.

STATUS: **CLEARED**

2014-4. Supporting Documentation Not Available. Village employees were unable to find all supporting documentation for fines and forfeitures revenue and for water and sewer billings. According to state law, the Village is required to maintain their accounting records in such a manner as to provide evidence of compliance and the preparation of financial states. It appears that the appropriate records *were generated, but* there was employee turnover *in* the office and a new administration elected. The new clerk could not find all of the ticket documentation to support fines and forfeitures revenue. Also, the clerk could not find some of the water and sewer billing reports and it appears that some of the required reports were not generated for the month of September, 2014. I recommend that documentation of tickets be maintained by the clerk and that all reports be generated and filed each month by the clerk.

STATUS: **CLEARED**

2014-5 Late Submission of Report. The financial statements were not filed within six months of year end with the Legislative Auditor. State law requires the Village to submit their financial statements to the Legislative Auditor within six months of year end. The Village was unable to pay *the* bill for the prior year review of their financial statements until after the date that the report was due. I recommend that the Village develop a payment plan to assist them in completing their payments for the prior year bill in a timely manner.

STATUS: **CLEARED**

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

Schedule 12

2015-16-1: Inadequate Segregation of Duties (Repeat finding from predecessor auditor)
STATUS: **UNCLEARED**

2015-16-2: Noncompliance with Local Government Budget Act (repeated partial citing of predecessor auditor) For the year ended September 30, 2016, the General Fund had a spending deficit of \$15,013. Actual revenue was 18% (\$37,560) less than the budgeted revenue of \$204,060. Expenses was 3% less than the budgeted expenses for the year, but an amendment was not made to the budget to reduce expenses in line with the actual revenue. The budget was not mathematically accurate, misclassified inter-fund transfer items as income and revenue and did not balance interfund transfers between funds.

For the year ended September 30, 2015, actual revenue was 34% (\$136,120) greater than the budgeted revenue of \$101,625. However, overall actual expenses for each department exceeded 5% of the budgeted expenses resulting in a spending deficit of \$1,829. The budget format used by the Village is not compliant with the mandated changes.

The budget of the General Fund is not being timely monitored and amended as it becomes necessary. Management of the Village was not aware of the changes mandated for the budget presentation.

STATUS: **CLEARED**

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

2015-16-5: Failure to submit a copy of traffic violations to the Office of Motor Vehicles-Traffic tickets for convicted violators are not provided to OMV. The court clerk and chief of police believed if an offender pays a ticket before the scheduled court date, there was no requirement to submit the tickets of convicted traffic violators to OMV. The Village is in violation of state law R.S. 32:393 which requires that when a person is convicted of a traffic violation and sentenced, or his bail is forfeited or other final disposition is made, an abstract of the report (excluding parking convictions) will be sent by the court or the district attorney to the Office of Motor Vehicles (OMV).

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

Schedule 12

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

STATUS: **UNCLEARED**

2015-16-8 Inadequate monthly finance reports provided to the Mayor and Aldermen (repeated partial citing of predecessor auditor)- The Village has multiple financial reporting and compliance requirements, such as the Local Government Budget Act, federal and state payroll tax obligation, and bond covenants. Accurate, complete and reliable financial information is essential for the government leaders to utilize in making informed and sound decisions for the Village. For the year ended September 30, 2017, the Mayor and Alderman were provided a monthly check register and schedule of monthly bills to be paid. These documents did not represent financial statements prepared in accordance with generally accepted accounting standards. Also, the reports provided to the government leaders were inadequate for them to meet their responsibilities to ensure the Village is compliant with its various reporting requirements.

STATUS: **CLEARED**

2015-16-9-Inadequate record keeping systems-The financial records of governmental units are public records. As such, they are open to inspection by the general public and must be made available within three working days of an official request. Public records must be retained for three years or until audited, whichever is longer (LSA-RS 44:1 et al). Certain records, such as bond records, minutes, tax and personnel/payroll records, et cetera, should be retained for significantly longer periods of time. Each public agency is to create a record retention schedule that must be approved by the State Archivist. Condition: An adequate filing system is lacking in the Village for water and sewer, ad valorem and police records. Records for the water and sewer department were incomplete or missing. The ad valorem tax records did not provide a readily available balance of past due amounts. Substantially all records of police tickets were missing from October through December 2014.

STATUS: **CLEARED**

2015-16-10 Bank Reconciliations Not Completed Timely- For the years ended September 30, 2016 and 2015, bank accounts were not reconciled timely. The grant bank accounts were not recorded and reconciled in the accounting system until after the reporting period for each year.

STATUS: **CLEARED**

2015-16-11- Bank deposits not made daily-The Village does not make and reconcile deposits to cash receipts records daily.

STATUS: **CLEARED**

2015-16-12-Paying employees early- It is prohibited for a public servant or other person to make a payment, give, loan, transfer, or deliver or offer to give, loan, transfer or deliver a thing of economic value to a public servant when the public servant is prohibited by the Ethics Code from receiving such a thing of economic value.

STATUS: **CLEARED**

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

Schedule 12

2015-16-13 Noncompliance with Local Government Budget Act to properly adopt budget-For the year ended September 30, 2016, the Village's budget was adopted after the beginning of the fiscal year and was published in the official journal 282 days after adoption. For the year ended September 30, 2015, no public hearing was held, the budget was adopted after the beginning of the fiscal year, and was published in the official journal 674 days after adoption. The Village is not in compliance with the Local Government Budget Act.

STATUS: **UNCLEARED**

2015-16-14-Late submission of audit- RS 24:513 requires audits to be completed within six (6) months of the close of the entity's fiscal year: For the years ended September 30, 2016 and 2015, the audits of the Village were completed and submitted more than six months after the close of the fiscal year.

STATUS: **CLEARED**

**LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Government Agencies)**

January 22, 2018

Rosie D. Harper, CPA, LLP
300 Washington Street Suite 308
Monroe, LA 71201

In connection with your audit of our financial statements as of September 30, 2017 and for (period of audit) for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with accounting principles generally accepted in the United States of America, to assess our system of internal control as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of January 22, 2018.

PART I. AGENCY PROFILE

1. Name and address of the organization.

Village of North Hodge
P O Box 520
Hodge, LA 71247

2. List the population of the municipality or parish based upon the last official United States Census or most recent official census (municipalities and police juries only). Include the source of the information.
378

Google 2016

3. List names, addresses, and telephone numbers of entity officials. Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.

See Attached

4. Period of time covered by this questionnaire.

October 1, 2016 – September 2017

5. The entity has been organized under the following provisions of the Louisiana Revised Statute(s) (R.S.) and, if applicable, local resolutions/ordinances.

6. Briefly describe the public services provided

The Village of North Hodge provides sewer and water to the residents

7. Expiration date of current elected/appointed officials' terms.

December 31, 2018

LEGAL COMPLIANCE

PART II. PUBLIC BID LAW

8. The provisions of the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

- A) All public works purchases exceeding \$150,000 have been publicly bid.
- B) All material and supply purchases exceeding \$30,000 have been publicly bid.

Yes [x] No []

PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

9. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [x] No []

10. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [x] No []

PART IV. LAWS AFFECTING BUDGETING

11. We have complied with the budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15) R.S. 39:33, or R.S. 39:1331-1342, as applicable:

A. Local Budget Act

- 1. We have adopted a budget for the general fund and all special revenue funds (R.S. 39:1305).
- 2. The chief executive officer, or equivalent, has prepared a proposed budget that included a budget message, a proposed budget for the general fund and each special revenue fund, and a budget adoption instrument that specified the chief executive's authority to make budgetary amendments without approval of the governing authority. Furthermore, the proposed expenditures did not exceed estimated funds to be available during the period (R.S. 39:1305).
- 3. The proposed budget was submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year (R.S. 39:1306).
- 4. To the extent that proposed expenditures were greater than \$500,000, we have made the budget available for public inspection and have advertised its availability in our official journal. The advertisement included the date, time, and place of the public hearing on the budget. Notice has also been published certifying that all actions required by the Local Government Budget Act have been completed (R.S. 39:1307).
- 5. If required, the proposed budget was made available for public inspection at the location required by R.S. 39:1308.
- 6. All action necessary to adopt and finalize the budget was completed prior to the date required by state law. The adopted budget contained the same information as that required for the proposed budget (R.S. 39:1309).
- 7. After adoption, a certified copy of the budget has been retained by the chief executive officer or

equivalent officer (R.S. 39:1309).

8. To the extent that proposed expenditures were greater than \$500,000, the chief executive officer or equivalent notified the governing authority in writing during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more (R.S. 39:1311).

9. The governing authority has amended its budget when notified, as provided by R.S. 39:1311. (Note, general and special revenue fund budgets should be amended, regardless of the amount of expenditures in the fund, when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more; or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by five percent or more. State law exempts from the amendment requirements special revenue funds with anticipated expenditures of \$500,000 or less, and exempts special revenue funds whose revenues are expenditure-driven - primarily federal funds-from the requirement to amend revenues.)

Yes [x] No []

B. State Budget Requirements

1. The state agency has complied with the budgetary requirements of R.S. 39:33.

Yes [x] No []

C. Licensing Boards

1. The licensing board has complied with the budgetary requirements of R.S. 39:1331-1342.

Yes [x] No []

PART V. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING LAWS

12. We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with R.S. 24:513 and 515, and/or 33:463.

Yes [x] No []

13. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [x] No []

14. We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [x] No []

15. We have had our financial statements audited in a timely manner in accordance with R.S. 24:513.

Yes [x] No []

16. We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes [x] No []

PART VI. MEETINGS

17. We have complied with the provisions of the Open Meetings Law, provided in R. S. 42:11 through 42:28.

Yes [x] No []PART

VII. ASSET MANAGEMENT LAWS

18. We have maintained records of our fixed assets and movable property records, as required by R.S. 24:515 and/or 39:321-332, as applicable.

Yes [x] No []

PART VIII. FISCAL AGENCY AND CASH MANAGEMENT LAWS

19. We have complied with the fiscal agency and cash management requirements of R.S. 39:1211-45 and 49:301-327, as applicable.

Yes [x] No []

PART IX. DEBT RESTRICTION LAWS

20. It is true we have not incurred any long-term indebtedness without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [x] No []

21. We have complied with the debt limitation requirements of state law (R.S. 39:562).

Yes [x] No []

22. We have complied with the reporting requirements relating to the Fiscal Review Committee of the State Bond Commission (R.S. 39:1410.62).

Yes [x] No []

PART X. REVENUE AND EXPENDITURE RESTRICTION LAWS

23. We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes [x] No []

24. It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [x] No []

25. It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

Yes [x] No []

PART XI. ISSUERS OF MUNICIPAL SECURITIES

26. It is true that we have complied with the requirements of R.S. 39:1438.C.

Yes [] No [] NA

PART XI. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS

Parish Governments

27. We have adopted a system of road administration that provides as follows:

- A. Approval of the governing authority of all expenditures, R.S. 48:755(A).
- B. Development of a capital improvement program on a selective basis, R.S. 48:755.
- C. Centralized purchasing of equipment and supplies, R.S. 48:755.
- D. Centralized accounting, R.S. 48:755.
- E. A construction program based on engineering plans and inspections, R.S. 48:755.
- F. Selective maintenance program, R.S. 48:755.
- G. Annual certification of compliance to the auditor, R.S. 48:758.

Yes [x] No []

School Boards

28. We have complied with the general statutory, constitutional, and regulatory provisions of the Louisiana Department of Education, R.S. 17:51-401.

Yes [] No [] NA

29. We have complied with the regulatory circulars issued by the Louisiana Department of Education that govern the Minimum Foundation Program.

Yes [] No [] NA

30. We have, to the best of our knowledge, accurately compiled the performance measurement data contained in the following schedules and recognize that your agreed-upon procedures will be applied to such schedules and performance measurement data:

Parish school boards are required to report, as part of their annual financial statements, measures of performance. These performance indicators are found in the supplemental schedules:

- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data: Average Salaries
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program (LEAP)
- Schedule 8, Graduation Exit Examination (GEE) (Note: this schedule is no longer applicable.)
- Schedule 9, iLEAP Tests

Yes [] No [] NA

Tax Collectors

31. We have complied with the general statutory requirements of R.S. 47.

Yes [x] No []

Sheriffs

32. We have complied with the state supplemental pay regulations of R.S. 40:1667.7.

Yes [] No [] NA

33. We have complied with R.S. 13:5535 relating to the feeding and keeping of prisoners.

Yes [] No [] NA

District Attorneys

34. We have complied with the regulations of the DCFS that relate to the Title IV-D Program.

Yes [] No [] NA

Assessors

35. We have complied with the regulatory requirements found in R.S. Title 47.

Yes [] No [] NA

36. We have complied with the regulations of the Louisiana Tax Commission relating to the reassessment of property.

Yes [] No [] NA

Clerks of Court

37. We have complied with R.S. 13:751-917 and applicable sections of R.S. 11:1501-1562.

Yes [] No [] NA

Libraries

38. We have complied with the regulations of the Louisiana State Library.

Yes [] No [] NA

Municipalities

39. Minutes are taken at all meetings of the governing authority (R.S. 42:7.1).

Yes No

40. Minutes, ordinances, resolutions, budgets, and other official proceedings of the municipalities are published in the official journal (R.S. 43:141-146 and A.G. 86-528).

Yes No

41. All official action taken by the municipality is conducted at public meetings (R.S. 42:11 to 42:28).

Yes No

Airports

42. We have submitted our applications for funding airport construction or development to the Department of Transportation and Development as required by R.S. 2:802.

Yes No NA

43. We have adopted a system of administration that provides for approval by the department for any expenditures of funds appropriated from the Transportation Trust Fund, and no funds have been expended without department approval (R.S. 2:810).

Yes No NA

44. All project funds have been expended on the project and for no other purpose (R.S. 2:810).

Yes No NA

45. We have certified to the auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (R.S. 2:811).

Yes No NA

Ports

46. We have submitted our applications for funding port construction or development to the Department of Transportation and Development as required by R.S. 34:3452.

Yes No NA

47. We have adopted a system of administration that provides for approval by the department for any expenditures of funds made out of state and local matching funds, and no funds have been expended without department approval (R.S. 34:3460).

Yes No NA

48. All project funds have been expended on the project and for no other purpose (R.S. 34:3460).

Yes No NA

49. We have established a system of administration that provides for the development of a capital improvement program on a selective basis, centralized purchasing of equipment and supplies, centralized accounting, and the selective maintenance and construction of port facilities based upon engineering plans and inspections (R.S. 34:3460).

Yes No NA

50. We have certified to the auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (R.S. 34:3461).

Yes No NA

Sewerage Districts

51. We have complied with the statutory requirements of R.S. 33:3881-4159.10.

Yes No

Waterworks Districts

52. We have complied with the statutory requirements of R.S. 33:3811-3837.

Yes No

Utility Districts

53. We have complied with the statutory requirements of R.S. 33:4161-4546.21.

Yes No

Drainage and Irrigation Districts

54. We have complied with the statutory requirements of R.S. 38:1601-1707 (Drainage Districts); R.S. 38:1751-1921 (Gravity Drainage Districts); R.S. 38:1991-2048 (Levee and Drainage Districts); or

R.S. 38:2101-2123 (Irrigation Districts), as appropriate.

Yes No []

Fire Protection Districts

55. We have complied with the statutory requirements of R.S. 40:1491-1509.

Yes No []

Other Special Districts

56. We have complied with those specific statutory requirements of state law applicable to our district.

Yes No []

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

Deanna M. Carter
Kathy Robertson

Clerk January 22, 2018 Date

Mayor January 22, 218 Date



VILLAGE OF NORTH HODGE

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Mayor Kathy Robertson

MAYOR

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VILLAGE OF NORTH HODGE, LOUISIANA
NORTH HODGE, LOUISIANA

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
As of and for the Year Ended September 30, 2017**

BY

ROSIE D. HARPER
CERTIFIED PUBLIC ACCOUNTANT, LLP

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VILLAGE OF NORTH HODGE, LOUISIANA
NORTH HODGE, LOUISIANA

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
As of and for the Year Ended September 30, 2017**

**VILLAGE OF NORTH HODGE, LOUISIANA
NORTH HODGE, Louisiana**

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
As of and for the Year Ended September 30, 2017**

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Alderman

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

I have performed the procedures enumerated below, which were agreed to by The Village of North Hodge, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. I obtained the entity's written policies and procedures and determined 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

The Entity does not have written guidelines for adopting, monitoring, and amending the budget. The entity does prepare budgets for all funds. The preparation of the budget is outsourced to a certified public accountant. The Village follows the Louisiana Local Government Budget Act for adopting and amending the budget. A budget to actual report is presented to the board of alderman at each meeting.

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

The Entity does not have written guidelines for how purchases are initiated, vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders. The Entity does follow the procedures required by the Louisiana Public Bid Law. Request for purchases must be approved by the Mayor. If approved, a purchase order is completed with the date, vendor name, purchase order number, and what is needed. A copy of the purchase order is placed into a file. All vendors are approved by the Mayor before being added to the vendor list.

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

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

The Entity does not have written policies and procedures which provide guidelines for processing, reviewing, and approval of disbursements. When an invoice is received, the Mayor approves the invoice before payment. The clerk enters the invoice into the Quickbooks billing system. The clerk prints a check for payment. The check is signed by the Mayor. The check stub is attached to the invoice and filed. The payment is remitted to the vendor.

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

The Entity's does not have written policies and procedures which provide guidelines for receiving, recording, and preparing deposits. Receipts are classified in Quickbooks according to their source, i. e. fines, utility payments, taxes, etc. Receipts are issued for all payments received in the office. For payments made in the office, a separate person from the person who receives and records the payment counts and reconcile the deposit to the source documents. For on-line payments, a report for each deposit is printed and reconciled with the bank records.

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

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

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

The Entity does not have written policies and procedures which provide guidelines for contracting including types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process. The Entity follows the procedures of the Louisiana Public Bid Law. The Entity did not have any signed contracts during the audit period other than audit services.

- 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

The Entity does not have written policies and procedures which provide guidelines for credit cards. All credit cards are stored in a locked safe. Employees must submit written request for use and sign out the cards. When the cards are returned, they must be signed in with the supporting documentation for the approved purchase.

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

The Entity does not have written policies and procedures which provide guidelines for travel and expense reimbursement, including allowable expenses, dollar thresholds by category of expense, documentation requirements, and required approvers. When employees use their personal vehicles for errands, they are required to submit a request for reimbursement which reports total mileage, destination, purpose of trip, and date. If they travel on Village business, a request for reimbursement is submitted to the clerk and approved by the Mayor. After approval, payment is made for the requested reimbursement.

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

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

The Entity does not have written policies and procedures for compliance with Ethics as defined in Louisiana Revised Statute 42:111-1121. All elected officials filed their annual financial statements as required, but two of the alderman failed to take the required one hour of ethics training.

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

The Entity does not have written policies and procedures for debt service. The Entity complies with R.S. 39:1410.60 when incurring debt. To comply with bond covenants, the Entity has set up payments on automatic bank draft. To fund its bond sinking reserve, the clerk has prepared a schedule of required deposits. As reserve deposits are made, the Mayor is presented proof of deposit. The Entity has a deficit funding in the reserve account for the year ended September 30, 2017 in the amount of \$2,594.

Board (or Finance Committee, if applicable)

2. I obtained and reviewed the board/committee minutes for the fiscal period, and:
- a) Determined whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

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

- b) Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

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

- c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The Entity's minutes referenced non-budgetary financial information, such as approval of contracts, grant applications and personnel matters.

Bank Reconciliations

3. I obtained a listing of client bank accounts from management and management's representation that the listing is complete.

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

4. Using the listing provided by management, I selected all the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtained bank statements and reconciliations for all months in the fiscal period and determined whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were performed on all bank accounts provided by the Entity's management.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

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

Collections

5. I obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, I selected all the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) I obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Cash is only collected at the town hall by the clerks. The clerk makes the deposits, but the deposits are reconciled to supporting documentation by a person who does not collect, record or deposit cash. All individuals responsible for handling cash are bonded.

- b) I obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The Entity collects for utility payments, police fines and property taxes. I pulled a sample of system reports and receipts which I traced to the general ledger, deposit slips and bank statements. There were no discrepancies. All individuals responsible for handling cash are bonded.

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

- c) I selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verified that daily cash collections are completely supported by documentation and report any exceptions.

My testing disclosed no discrepancies.

7. Obtained existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

I obtained written documentation of police tickets, utility billing collections, electronic transfers for police tickets fines, and property taxes to determine the completeness of all collections. My testing disclosed no discrepancies.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. I obtained a listing of the entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. I obtained management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, I randomly selected 25 disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

All purchases were not initiated using a requisition or purchase order system. The person requesting purchases are separate from approval functions except for purchases made by the Mayor. All purchases, except those purchases made by the Mayor, are pre-approved by the appropriate level of management. Payments for purchases are paid by original invoices.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

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

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

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Requisitions or purchase orders were not always used by the Entity. Payments for purchases were not processed without approval from an appropriate level of management, a receiving report showing receipt of goods purchased and an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), I determined whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

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

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), I determined whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Persons with signatory authority or who make the final authorization for disbursements are separate from the person responsible for recording but not always separate from the person responsible for initiating purchases.

12. Inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Unused checks are maintained in a locked location. Custody of the blank checks is by a person separate from the person who has signatory authority. Persons with signing authority do not have system access to print checks.

13. If a signature stamp or signature machine is used, inquired of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The Mayor has a signature stamp which is maintained under the Mayor's control. She keeps it locked in her office where only she has access to the stamp.

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

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

15. Using the listing prepared by management, I randomly selected 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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Independent Accountants Report on Applying Agreed-Upon Procedures (Continued)

- a) I determined whether there was evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder

The results of my test disclosed no discrepancies.

- b) I determined whether finance charges and/or late fees were assessed on the selected statements.

The Entity uses three (3) credit cards. On one of the credit cards the Entity incurred late fees for three of the twelve months and finances charges for seven of the twelve months. Total late fees were \$59 and total interest incurred was \$25.

16. Using the monthly statements or combined statements I selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, I determined whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

The results of my test disclosed no discrepancies.

- b) For each transaction, compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

The results of my test disclosed no discrepancies.

- c) For each transaction, compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The results of my test disclosed no discrepancies.

Travel and Expense Reimbursement

- 18 I obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. I obtained management's representation that the listing or general ledger is complete.

The Village of North Hodge, Louisiana
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- 19 I obtained the entity's written policies related to travel and expense reimbursements. Compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and determined any amounts that exceed GSA rates.

The Entity's does not have written policies and procedures which provide guidelines for travel and expense reimbursement. The Entity adheres to the State of Louisiana guidelines for travel and requires an expense reimbursement report with supporting documentation for travel expenses. There were no amounts paid for travel and expense reimbursement that exceeded General Services Administration rates.

Using the listing or general ledger from #17 above, selected the three persons who incurred the most travel costs during the fiscal period. I obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) The entity does not have written policies. I compared to the GSA rates (#18 above) to determine if each reimbursement exceeded those rates.

All travel and mileage reimbursements were less than or equal to the rates established by the U.S. General Services Administration.

- b) I determined whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

My testing did not disclose any discrepancies.

- c) I compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The results of my test disclosed no discrepancies.

- I determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

All travel requests are approved by someone other than the person receiving the reimbursement, except for the Mayor.

Contracts

20. Obtained a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtained management's representation that the listing or general ledger is complete.

21. Using the listing above, selected the five contracts "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtained the related contracts and paid invoices and:

a) Reported whether there is a formal/written contract that supports the services arrangement and the amount paid.

The Entity did not have any formal written contracts.

b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. Reported whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

➤ If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

➤ If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

N/A

c) Reported whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

N/A

d) Selected the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

N/A

e) Obtained/reviewed contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

N/A

Payroll and Personnel

22. I obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. Randomly selected five employees/officials, obtain their personnel files, and:

a) I reviewed compensation paid to each employee during the fiscal period and determined whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

My testing did not disclose any discrepancies.

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

- b) I reviewed changes made to hourly pay rates/salaries during the fiscal period and determined whether those changes were approved in writing and in accordance with written policy.

All hourly and salary pay changes were approved at the appropriate level of management.

23. I obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees (or randomly select one-third of employees if the entity had less than 25 employees during the fiscal period), and:

- a) I determined whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave.

My testing did not disclose any discrepancies.

- b) I determined whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

All attendance and leave request of the selected employees/officials was approved by the appropriate level of management.

- c) I determined whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

The Entity does maintain written leave records.

24. I obtained from management a list of employees/officials that were terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. I determined whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

The results of my test disclosed no discrepancies.

25. I obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. I determined whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

The Entity's payroll tax forms were not all filed timely.

Ethics (excluding nonprofits)

26. I used the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtained ethics compliance documentation from management and determined whether the entity-maintained documentation to demonstrate that required ethics training was completed.

All of the elected officials filed the required financials statements with the Board of Ethics. However, two of the alderman did not take the required one hour of annual ethics training.

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Independent Accountants Report on Applying Agreed-Upon Procedures (Continued)

27. Inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

There were no allegations of ethics violations reported to the entity during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

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

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The Entity made all of the scheduled debt service payments on its outstanding debt, but a deficiency of \$2,594 remains for deposits owed to the debt reserve account.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

N/A

Other

31. Inquired of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

None

32. Observed and reported whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

My testing did not disclose any discrepancies.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

None

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

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

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



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
March 15, 2018