

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, 2020**

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, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of North Hodge, Louisiana (the "Village"), as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2020 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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, 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated June 28, 2021, 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 solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
June 28, 2021

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, 2020

The management's 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, 2020. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 11.

Basic Financial Statements

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

Statement of Net Position and Statement of Activities

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

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

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

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

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

Statement of Net Position and Statement of Activities (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, 2020

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and Other Assets	\$ 95,191	\$ 81,248	\$ 60,151	\$ 42,749	\$ 155,342	\$ 123,997
Capital Assets (Net)	112,137	124,972	1,544,562	1,606,543	1,656,699	1,731,515
Total Assets	207,328	206,220	1,604,713	1,649,292	1,812,041	1,855,512
LIABILITIES						
Current Liabilities	33,290	25,982	149,871	125,792	183,161	151,774
Non-current Liabilities	-	-	212,306	245,272	212,306	245,272
Total Liabilities	33,290	25,982	362,177	371,064	395,467	397,046
NET POSITION						
Invested in Capital						
Assets Net of Debt	112,137	124,972	1,311,213	1,352,751	1,423,350	1,477,723
Unrestricted	61,901	55,266	(68,677)	(74,498)	(6,776)	(19,232)
Total Net Position	\$ 174,038	\$ 180,238	\$ 1,242,536	\$ 1,278,253	\$ 1,416,574	\$ 1,458,491

For the year ending September 30, 2020, total net position decreased 3% (\$41,917) compared to the prior year. There was a deficit of \$6,776 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, \$1,423,350, 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 2020.

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

TABLE 2 CHANGE IN NET POSITION-SEPTEMBER 30, 2020

	Governmental		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 134,997	\$ 106,768	\$ 134,997	\$ 106,768
Fines and Forfeitures	134,593	119,381	-	-	134,593	119,381
Operating Grants and Contributions	-	15,000	-	-	-	15,000
Capital Grants and Contributions	-	-	-	21,600	-	21,600
General Revenues:						
Taxes	86,534	86,781	-	-	86,534	86,781
Licenses	4,887	5,018	-	-	4,887	5,018
Other	8,085	2,629	1,514	1,292	9,599	3,921
Total Revenues	<u>234,099</u>	<u>228,809</u>	<u>136,511</u>	<u>129,660</u>	<u>370,610</u>	<u>358,469</u>
Program Expenses						
General Government	135,417	84,872	-	-	135,417	84,872
Police	82,725	77,302	-	-	82,725	77,302
Streets	16,047	12,901	-	-	16,047	12,901
Water and Sewer	-	-	166,640	172,465	166,640	172,465
Interest on Bond Debt	-	-	12,207	14,224	12,207	14,224
Total Expenses	<u>234,189</u>	<u>175,075</u>	<u>178,847</u>	<u>186,689</u>	<u>413,036</u>	<u>361,764</u>
Interfund Transfers In (Out)	(6,594)	(24,989)	6,594	24,989	-	-
Increase (Decrease) in Net Position	(6,684)	28,745	(35,742)	(32,040)	(42,426)	(3,295)
Net Position-Beginning	180,238	151,744	1,278,228	1,311,593	1,458,466	1,463,337
Prior Period Adjustment	484	(251)	50	(1,325)	534	(1,576)
Net Position - Ending	<u>\$174,038</u>	<u>\$ 180,238</u>	<u>\$ 1,242,536</u>	<u>\$1,278,228</u>	<u>\$ 1,416,574</u>	<u>\$ 1,458,466</u>

Governmental activities were responsible for a (\$6,200) decrease in the Village's net position for the year ended September 30, 2020. Revenue from police fines increased \$15,212 in 2020. The Village's General government had an overall increase in revenue of \$5,290 compared to 2019. General government expenses increased by \$59,114. The decrease is due to increase in expenses of the general government.

Business-type activities decreased net position by \$35,692 for the year ended September 30, 2020. The decrease in net position was due primarily to the depreciation of capital assets.

Fund Financial Statements

As of September 30, 2020, the Village's governmental funds reported a surplus fund balance of, \$61,901 which is \$6,635 increase from the 2019 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, 2020.

For the year ended September 30, 2020, the General Fund had a 4% favorable variance of \$8,249 between budgeted revenue versus actual revenue. The unfavorable variance between budgeted and actual expenses was 6% in the amount of \$12,372. The Village reported an excess of \$12,745 in revenue over expenses. Also, the Village had a budget variance of \$4,077 in the amounts transferred funds to the water and sewer which was 38% unfavorable.

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, 2020. Business-type activities had an unfavorable revenue variance of \$51,689, 27%; and it had an unfavorable expense variance of \$11,613, (10%). After transfers of \$6,594 from the General Fund and debt service of \$32,712 the business-type activities had an unfavorable variance of \$71,845 in deficiency of revenues and other sources of funds over expenses and other uses of funds for the year ended September 30, 2020.

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

Capital Assets and Debt Administration

The Village had outstanding bond debt of \$212,306 for the year ended September 30, 2020. Principal payments of \$21,518 and interest payments of \$12,207 were made in 2020 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, 2020

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 3,857	\$ 11,572	\$ 15,429
Receivables	8,662	21,089	29,751
Due from Other Funds	82,672	-	82,672
Restricted Assets:			
Cash & Cash Equivalents	-	27,065	27,065
Investments	-	425	425
Capital Assets (Net of Accumulated Depreciation)	112,137	1,544,562	1,656,699
Total Assets	207,328	1,604,713	1,812,041
Liabilities			
Current Liabilities			
Accrued Liabilities	33,290	34,874	68,164
Due to Other Funds	-	82,672	82,672
Current Portion of			
Long-Term Debt	-	21,043	21,043
Bond Interest Payable	-	405	405
Total Current Liabilities	33,290	138,994	172,284
Non-current Liabilities			
Meter Deposits	-	10,877	10,877
Bonds Payable	-	212,306	212,306
Total Non-Current Liabilities	-	223,183	223,183
Total Liabilities	33,290	362,177	395,467
Net Position			
Invested in Capital Assets Net of Related Debt	112,137	1,311,213	1,423,350
Unrestricted	61,901	(68,677)	(6,776)
Total Net Position	\$ 174,038	\$ 1,242,536	\$ 1,416,574

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Activities
For the Year Ended September 30, 2020

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	\$ 135,417	\$ -	\$ -	\$ -	\$ (135,417)	\$ -	\$ (135,417)
Public Safety	82,725	-	-	-	(82,725)	-	(82,725)
Streets	16,047	-	-	-	(16,047)	-	(16,047)
Total Governmental Activities	<u>234,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(234,189)</u>	<u>-</u>	<u>(234,189)</u>
Business Type Activities:							
Water and Sewer	166,640	134,997	-	-	\$ -	(31,643)	(31,643)
Grants	-	-	-	-	-	-	-
Interest on Long-Term Debt	12,207	-	-	-	-	(12,207)	(12,207)
Total Business Type Activities	<u>178,847</u>	<u>134,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,850)</u>	<u>(43,850)</u>
Total Primary Government	<u>\$ 413,036</u>	<u>\$ 134,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (234,189)</u>	<u>\$ (43,850)</u>	<u>\$ (278,039)</u>
<i>General Revenues:</i>							
Taxes							
Property Taxes Levied for General Purposes					7,219	-	7,219
Electronic Video Bingo					54,566	-	54,566
Franchise Tax					9,969	-	9,969
Sales Taxes					14,780	-	14,780
Fines					134,593	-	134,593
Licenses and Permits					4,887	-	4,887
Investment Earnings					-	58	58
Other Revenue					8,085	1,456	9,541
Transfers In (Out)					(6,594)	6,594	-
Total General Revenues and Transfers					<u>227,505</u>	<u>8,108</u>	<u>235,613</u>
Change in Net Position					<u>(6,684)</u>	<u>(35,742)</u>	<u>(42,426)</u>
Net Position-October 1, 2019					180,238	1,278,228	1,458,466
Prior Period Adjustment					484	50	534
Net Position-September 30, 2020					<u>\$ 174,038</u>	<u>\$ 1,242,536</u>	<u>\$ 1,416,574</u>

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

FUND FINANCIAL STATEMENTS

VILLAGE OF NORTH HODGE, LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2020

Assets

Cash and Cash Equivalents	\$	3,857
Receivables (net)		8,662
Due From Other Funds		82,672
Total Assets		<u>95,191</u>

Liabilities and Fund Equity

Liabilities:

Accrued Liabilities		33,290
Total Liabilities		<u>33,290</u>

Fund Equity:

Nonspendable		-
Unassigned		61,901
Total Fund Equity		<u>61,901</u>

Total Liabilities and Fund Equity	\$	<u>95,191</u>
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See Accompanying Independent 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, 2020

Revenues

Property Taxes	\$	7,219
Electronic Bingo		54,566
Franchise Taxes		9,969
Sales Taxes		14,780
Fines		134,593
Licenses and Permits		4,887
Other Revenues		8,085
Total Revenues		234,099

Expenditures

General Government		135,151
Public Safety		82,225
Streets		3,978
Total Expenditures		221,354

Excess of Expenditures Over Revenue		12,745
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Other Financing Sources

Interfund Transfers In (Out)		(6,594)
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Total Other Financing Uses		(6,594)
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Net Change in Fund Equity		6,151
Fund Balance-Beginning		55,266
Prior Period Adjustment		484
Fund Balance-Ending	\$	61,901

See Accompanying Independent 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, 2020

Fund Balance, Total Governmental Funds \$ 61,901

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental
funds. 112,137

Net Assets of Governmental Activities \$ 174,038

See Accompanying Independent 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 Year Ended September 30, 2020

Net Change in Fund Balances, Total governmental Funds \$ 6,151

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

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.

(12,835)

Changes in Net Position of Governmental Activities

\$ (6,684)

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Fund Net Position
 Proprietary Fund
 September 30, 2020

	<u>Water and Sewer Enterprise Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 11,572
Customer Accounts Receivable	21,089
Total Current Assets	<u>32,661</u>
Restricted Assets:	
Cash	27,065
Investments	425
Total Restricted Assets	<u>27,490</u>
Utility Plant:	
Capital Assets Net of Accumulated Depreciation	1,544,562
Net Utility Plant	<u>1,544,562</u>
Total Assets	<u>1,604,713</u>
Liabilities	
Current Liabilities:	
Accrued Liabilities	34,874
Due to Other Funds	82,672
Current Portion of Bonds Payable	21,043
Bond Interest Payable	405
Total Current Liabilities	<u>138,994</u>
Liabilities Payable from Restricted Assets:	
Customer Deposits	10,877
Total Liabilities Payable from Restricted Assets	<u>10,877</u>
Long-Term Liabilities:	
Bonds Payable	212,306
Total Long-Term Liabilities	<u>212,306</u>
Total Liabilities	<u>362,177</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	1,311,213
Unrestricted	<u>(68,677)</u>
Total Net Position	<u>\$ 1,242,536</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended
 September 30, 2020

	<u>Water and Sewer</u> <u>Enterprise Fund</u>
Utility Operating Revenue:	
Charges for Water and Sewer	\$ 134,997
Other Income	1,456
Total Operating Revenue	<u>136,453</u>
Operating Expenses:	
Contract Labor	13,350
Depreciation Expense	61,981
Insurance	12,207
Office	1,872
Other Operating	3,337
Repairs and Maintenance	8,798
Salaries	51,720
Supplies	2,361
Telephone & Utilities	11,014
Total Operating Expenses	<u>166,640</u>
Utility Operating Loss	(30,187)
Other Income and Deductions:	
Interest and Dividend Revenue	58
Interest on Long-Term Debt	(12,207)
Total Other Income and Deductions	<u>(12,149)</u>
Income Before Transfers In (Out)	<u>(42,336)</u>
Operating Transfer In (Out)	<u>6,594</u>
Change in Net Position	(35,742)
Total Net Position, Beginning	1,278,228
Prior Period Adjustment	50
Total Net Position, Ending	<u>\$ 1,242,536</u>

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

VILLAGE OF NORTH HODGE, LOUISIANA

Statement of Cash Flows
Proprietary Funds
September 30, 2020

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 130,148
Net Decrease in Customer Deposits	(570)
Other Cash Received	1,456
Cash Paid to Employees for Services	(51,720)
Cash Paid for Goods and Services	(49,029)
Net Cash Provided by Operating Activities	<u>30,285</u>
Cash Flows from Non-Capital Financing Activities	
Interfund Liability/Asset	8,328
Transfers from Other Funds	6,594
Net Cash Provided by Non-Capital Financing Activities	<u>14,922</u>
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bond Debt	(20,466)
Interest Paid on Long Term Debt	(12,246)
Net Cash Used for Capital and Related Financing Activities	<u>(32,712)</u>
Cash Flows from Investing Activities	
Interest and Dividend Income	58
Net Cash Provided by Investing Activities	<u>58</u>
Net Increase in Cash and Cash Equivalents	12,553
Cash and Cash Equivalents-Beginning	26,084
Cash and Cash Equivalents-Ending	<u>\$ 38,637</u>

Reconciliation of Cash and Cash Equivalents to the Balance Sheet

	September 30, 2020	
	End of Year	Beginning of Year
Cash and Cash Equivalents in Current and Accrued Assets	\$ 11,572	\$ 110
Restricted Cash and Cash Equivalents	27,065	25,974
	<u>\$ 38,637</u>	<u>\$ 26,084</u>

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

Utility Operating Loss	\$ (30,187)
Adjustments:	
Depreciation Expense	61,981
Increase in Customer Accounts Receivables	(4,849)
Increase in Accrued Liabilities	3,860
Prior Period Adjustment	50
Decrease in Meter Deposits Payable	(570)
Total Adjustments	<u>60,472</u>
Net Cash Provided by Operating Activities	<u>\$ 30,285</u>

There were no operating investing, or financing activities during the year that did not result in cash receipts or payments.

See Accompanying Independent 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, 2020

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basic Financial Statements--Government-Wide Statements

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

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

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

B. Basic Financial Statements--Government-Wide 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.

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

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, 2020, as required by Louisiana law. The proposed original budget for the fiscal year ended September 30, 2020 was adopted on September 10, 2019. An amended budget for the fiscal year ended September 30, 2020 was adopted on September 22, 2020.

Although the Village was not required by statute to adopt a budget for the business-activity fund, a budget was adopted for the business-activity fund on September 10, 2019.

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

F. Cash Deposits and Investments

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

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

G. Restricted Assets

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

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

H. Compensated Absences

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

I. Use of Estimates

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

J. Inter-fund Receivables and Payables

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

K. Equity Classifications

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

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

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

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

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

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

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

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

K. Equity Classifications (Continued)

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

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

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

L. Statement of Cash Flows

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

M. Deferred Outflows of Resources and Deferred Inflows of Resources

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

N. Receivables

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

Ad valorem taxes are levied on a calendar year basis and become delinquent after December 31. The Village bills and collects its own ad valorem taxes. For the year ended September 30, 2020, ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

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

For the year ended September 30, 2020, taxes of \$7,218.54 were levied on property. Taxes receivable at September 30, 2020 consisted of the following:

Taxes Receivable	\$ 699
Allowance for Uncollectible Taxes	-
	<hr/>
Net Ad Valorem Taxes Receivable	<u>\$ 699</u>

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

N. Receivables (Continued)

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

Longleaf Estates	\$	599
Alltel Comm Wireless, Inc.		357
Atmos Energy		295
Total	<u>\$</u>	<u>1,251</u>

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

O. Capital Assets

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

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

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

P. Interfund Transfers

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

Q. Defining Operating Revenues and Expenses

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS

At September 30, 2020, the Village had cash and cash equivalents (restricted and unrestricted) as follows:

	Cash	Certificate of Deposit	Total
Unrestricted			
Cash on Hand	\$ 200	\$ -	\$ 200
Demand Deposits	15,229	-	15,229
Restricted			
Demand Deposits	27,065	-	27,065
Time Deposit	-	425	425
Total	\$ 42,494	\$ 425	\$ 42,919

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, 2020, the Village has \$42,919 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, 2020, interfund receivables and payables are as follows:

Due to General Government from Sewer and Water	\$ (82,672)
Due from Sewer and Water to General Government	82,672
Net Interfund Receivables & Payables	\$ -

NOTE 4 - RESTRICTED ASSETS

Restricted assets for the proprietary fund were applicable to the following at September 30, 2020:

Customers' Deposits	\$ 7,389
Kirkpatrick Family Park	307
Street Repairs	9,827
Debt Service	9,967
Total	\$ 27,490

The Village received contributions from the public for improvements to a local park. Those funds were deposited into a separate account. At September 30, 2020, the remaining funds received for the park were \$307.

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

NOTE 5 - ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2020 for the Village is as follows:

	Balance 10/1/19	Additions	Deletions	Balance 9/30/20
Government Activities:				
Capital Assets				
Land	\$ 2,775	\$ -	\$ -	\$ 2,775
Buildings	20,441	-	-	20,441
Improvements	11,895	-	-	11,895
Streets	221,007	-	-	221,007
Equipment	93,784	-	-	93,784
Total Capital Assets	349,902	-	-	349,902
Less Accumulated Depreciation				
Buildings	17,463	259	-	17,722
Improvements	4,619	880	-	5,499
Streets	112,061	11,689	-	123,750
Equipment	90,787	7	-	90,794
Total Accumulated Depreciation	224,930	12,835	-	237,765
Governmental Capital Assets, Net	\$ 124,972	\$ (12,835)	\$ -	\$ 112,137
Business-Type Activities				
Capital Assets				
Land	\$ 20,127	\$ -	\$ -	\$ 20,127
Buildings	1,955	-	-	1,955
Machinery and Equipment	79,606	-	-	79,606
Water and Sewer System	2,799,648	-	-	2,799,648
Total	2,901,336	-	-	2,901,336
Less Accumulated Depreciation				
Buildings	1,955	-	-	1,955
Machinery and Equipment	109,123	18,752	-	127,875
Water and Sewer System	1,183,715	43,229	-	1,226,944
Total Accumulated Depreciation	1,294,793	61,981	-	1,356,774
Business-Type Capital Assets, Net	\$ 1,606,543	\$ (61,981)	\$ -	\$ 1,544,562

NOTE 6 - ACCRUED LIABILITIES

At September 30, 2020, the Village had the following accrued liabilities:

	General Fund	Sewer & Water	Total
Payroll Taxes	\$ 32,681	\$ 34,874	\$ 67,555
Accounts Payable	609	-	609
Total	\$ 33,290	\$ 34,874	\$ 68,164

\$50,670 of the payroll tax liabilities were owed for past due payroll taxes, interest and penalties for fiscal years ending September 30, 2015 and September 30, 2016.

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

NOTE 7 - RECEIVABLES

Accounts receivable consisted of customer billings for water and sewer usage. There were 155 customer accounts totaling \$21,089 consisting of 46 customers with past due balances of \$9,022 at September 30, 2020.

NOTE 8 - LONG-TERM DEBT

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

Revenue Bonds

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

Balance at October 1	\$ 233,825
Less: Current Maturities	(21,519)
Adjustment	<u>-</u>
Long-Term Debt, Net of Current Maturities	<u><u>\$ 212,306</u></u>

The annual debt service requirements to maturity to all issued debt outstanding as of September 30, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 20,990	\$ 11,722
2022	22,097	10,615
2023	23,267	9,445
2024	25,806	6,907
2025	24,502	8,211
2026-2029	<u>95,644</u>	<u>13,043</u>
	<u><u>\$ 212,306</u></u>	<u><u>\$ 59,943</u></u>

At September 30, 2020, the debt reserve account was required to be funded as follows:

Required Beginning Balance	\$ 16,356
Required 2020 Deposits	<u>3,271</u>
Required Ending Balance	<u>\$ 19,627</u>
Actual Balance	<u>9,467</u>
Deficit Funding	<u><u>\$ (10,160)</u></u>

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

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

At September 30, 2020, the Village had the following prior period adjustment:

	<u>General Fund</u>	<u>Sewer & Water</u>	<u>Total</u>
Voided Checks	\$ 484	50	534
Total	<u>\$ 484</u>	<u>\$ 50</u>	<u>\$ 534</u>

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2021, 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, 2020

	Budget Amounts		Actual	Variance with Final Budget	
	Original	Final		\$	%
REVENUE					
Taxes					
Ad Valorem	\$ 7,000	\$ 7,000	\$ 7,219	\$ (219)	-3%
Electronic Bingo	57,500	50,000	54,566	(4,566)	-9%
Franchise/Insurance	10,000	10,000	9,969	31	0%
Sales	7,500	12,200	14,780	(2,580)	-21%
Licenses and Permits	2,000	2,000	4,887	(2,887)	-144%
Fines and Forfeitures	125,000	125,000	134,593	(9,593)	-8%
Grants	7,500	7,500	-	7,500	100%
Interest and Miscellaneous	3,250	12,150	8,085	4,065	-100%
Total Revenues	219,750	225,850	234,099	(8,249)	-4%
EXPENDITURES					
Current:					
General Government	111,448	128,782	135,151	(6,369)	-5%
Public Safety	52,025	74,900	82,225	(7,325)	-10%
Highways and Streets	5,500	5,300	3,978	1,322	25%
Total Expenditures	168,973	208,982	221,354	(12,372)	-6%
Excess (Deficiency) of Revenues Over Expenditures	50,777	16,868	12,745	4,123	24%
OTHER FINANCING SOURCES (USES)					
Transfers from (to) Other Funds	-	(10,671)	(6,594)	(4,077)	38%
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	50,777	6,197	6,151	46	1%
Fund Balances (Deficit) , Beginning	-	55,266	55,266	-	0%
Prior Period Adjustment	-	-	484	(484)	100%
Fund Balances, Ending	\$ 50,777	\$ 61,463	\$ 61,901	\$ (438)	-1%

See Accompanying Independent 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, 2020

	Budget Amounts		Actual	Variance with Final Budget	
	Original	Final		\$	%
REVENUE					
Water and Sewer Charges	\$ 127,300	\$ 139,200	\$ 134,997	\$ 4,203	3%
Grants	-	25,000	-	25,000	100%
Other Revenue	-	24,000	1,514	22,486	94%
Total Revenues	<u>127,300</u>	<u>188,200</u>	<u>136,511</u>	<u>51,689</u>	<u>27%</u>
EXPENSES					
Contract Labor	7,000	14,100	13,350	750	5%
Insurance	-	-	12,207	(12,207)	100%
Office	1,000	870	1,872	(1,002)	-115%
Other Operating	32,000	9,150	15,544	(6,394)	-70%
Repairs and Maintenance	20,000	11,800	8,798	3,002	25%
Salaries	28,000	55,953	51,720	4,233	8%
Supplies	2,750	1,900	2,361	(461)	-24%
Telephone & Utilities	7,500	11,480	11,014	466	4%
Total Expenditures	<u>98,250</u>	<u>105,253</u>	<u>116,866</u>	<u>(11,613)</u>	<u>-10%</u>
Excess (Deficiency) of Revenues Over Expenditures	29,050	82,947	19,645	63,302	76%
OTHER FINANCING SOURCES (USES)					
Debt Service	(27,300)	(27,300)	(32,712)	5,412	-20%
Transfers from (to) Other Funds	10,125	9,725	6,594	3,131	32%
Total Other Financing Sources (Uses)	<u>(17,175)</u>	<u>(17,575)</u>	<u>(26,118)</u>	<u>8,543</u>	<u>-49%</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ 11,875</u>	<u>\$ 65,372</u>	<u>\$ (6,473)</u>	<u>\$ 71,845</u>	<u>110%</u>

See Accompanying Independent 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, 2020

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	2020 Compensation
Kathy Robertson	Mayor	01/01/19-12/31/22	\$ 11,275
Chasity Womack	Alderman	01/01/19-12/31/22	3,600
Ernest Roden	Alderman	01/01/19-12/31/22	3,600
Andrea D. Woods	Alderman	01/01/19-12/31/22	3,600
Total Mayor's and Alderman's Compensation			<u>\$ 22,075</u>

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
As of and for the Year Ended September 30, 2020

Agency Head Name: Mayor Kathy Robertson

Name	Term	2020
Kathy Robertson	01/01/19 - 12/31/22	
Salary		\$ 11,275
Reimbursements		<u>308</u>
Total Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer		<u><u>\$ 11,583</u></u>



ROSIE D. HARPER

Certified Public Accountant, LLP

300 Washington Street, Suite 104 • Monroe, Louisiana 71201

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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*

To the 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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued my report thereon dated June 28, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, I did identify a certain deficiency in internal as item *2020-1* that I consider to be a material weakness and significant deficiency.

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.

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 2020-2 through 2020-7.

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
June 28, 2021

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, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued my report thereon dated June 28, 2021. 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, 2020 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

2020-1: Operating Deficit in Water and Sewer Fund (*Repeat Finding*)

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

Condition: For the year ended September 30, 2020, the Sewer and Water Fund planned for an operating surplus of 65,372 but had actual deficit of \$6,473.

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

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

Recommendation: Budgets should be timely monitored and be properly amended as needed.

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

Management's Response and Planned Corrective Action:

The Village of North Hodge passed an Ordinance late 2019 to raise water rates beginning January 2020. We had planned for the water account to have a higher revenue in one year time, but due to a worldwide pandemic (COVID19), the situation changed. The Village was paying out money during this time on bills, but unfortunately, the projected revenue was not coming in, causing the Village to be in deficit. During this time, we have offered a payment plan to our customers who have fallen behind, allowing them to pay a minimum amount. Now that the pandemic has slowed a year later and restrictions have been lifted, we will be collecting water/sewer revenue regularly and taking action if the balance is not paid.

2020-2: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (Repeat Finding)

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

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

Restricted Cash	\$	7,389
Utility Meter Liability		10,877
Underfunding	\$	<u>(3,488)</u>

Cause: For the year ended September 30, 2020, 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:

The Village of North Hodge passed an Ordinance late 2019 to raise water rates beginning January 2020. We had planned for the water account to have a higher revenue balance in one year time, but due to a worldwide pandemic (COVID19), the situation changed, causing the Village to be in deficit. Since revenue was not coming in regularly, we were not able to provide the revenue needed to eliminate the underfunding in the utility meter account at that time. We would like to note that as of June 2021, the Village of North Hodge has been able to eliminate the underfunding in the utility meter account.

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

2020-3: Failure to enact, record and publish ordinances as required by R.S. 33:406.
(Repeat Finding)

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

B. (1) A proposed ordinance may be introduced by any alderman at any board meeting. Each proposed ordinance shall be in writing.

(2) After a proposed ordinance has been introduced, copies of it shall be provided to all members of the board and the mayor.

Condition: Two incomplete ordinances were presented for adoption and were adopted but never published.

Cause: The Village used an incomplete template for an Environmental Protection Agency (EPA) ordinance for protection against public water supply contamination for discussion at a public hearing with "Draft" printed on the document. The improper ordinance was adopted by the Board but never completed or published. An example of an ordinance for flood damage protection was presented for public hearing and adoption. The Village did not modify the ordinance for relevance for the Village of North Hodge, Louisiana before presentation and adoption.

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

Recommendation: Ordinances should be complete when presented for public hearing and adoption. If a sample or template is used for an ordinance, the sample or template should not be presented for public hearing or to the board for adoption. The sample or template should be revised and completed as relevant to the Village of North Hodge, Louisiana.

Management's Response and Planned Corrective Action:

To ensure compliance that ordinances are completed for public hearings and adoption, the Village has prepared a schedule that tracks the completion of each ordinance. The Mayor, Clerk and Assistant Clerk will ensure that that each ordinance is in correct form and completed to the Village of North Hodge relevance. Once the ordinance is brought to the Board of Aldermen, each member will look over the ordinance to ensure it is in compliance before adoption.

2020-4 Noncompliance with revenue bond covenant agreement (Repeat Finding)

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

1. The Village establish a separate bond reserve fund and monthly deposits of \$272.60 are required to be made to the fund.

Condition: For the year ended September 30, 2020:

1. The fund was under-funded by \$10,160.

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

Cause: The required monthly deposits are not being made into the bond reserve 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 Village of North Hodge passed an Ordinance late 2019 to raise water rates beginning January 2020. We had planned for the water account to have a higher balance in one year time, but due to a worldwide pandemic (COVID19), the situation changed, causing the Village to be in deficit. Since revenue was not coming in regularly, we were not able to provide the revenue needed to eliminate the underfunding in the utility bond reserve. Now, a year later, with restrictions lifted and revenue rising, the Village is planning to make \$1200 monthly payments starting July 2021, which should eliminate the underfunding of the utility bond reserve in approximately 6-7 months.

2020-5 Untimely payroll tax payments (*Repeat Finding*)

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

Condition: For the year ended September 30, 2020, the Village had unpaid federal payroll taxes, penalties and interest of \$50,670 and unpaid state payroll taxes, penalties and interest \$6,850 which were incurred during fiscal years ending September 30, 2015 and September 30, 2016.

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

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

Recommendation: The Village is currently in an installment agreement with the Internal Revenue Service Center to pay past due payroll tax obligations. Unfortunately, the amount which the Village can afford to pay to the Internal Revenue Service Center is primarily paying interest. The Village has submitted an offer and compromise with Internal Revenue Center.

Management's Response and Planned Corrective Action:

The Village of North Hodge has submitted an offer and compromise with Internal Revenue Service. We are paying our current payroll taxes monthly and sending our 941's every quarter in a timely manner.

2020-6 Untimely reconciliation of bank statements (*Repeat Finding*)

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

- Criteria: Bank statements should be reconciled within 60 days of receipt to protect the Village against the risk of losses from fraudulent transactions and errors.
- Condition: For the year ended September 30, 2020, the Village's bank statements were reconciled over 60 days after receipt.
- Cause: The Clerk failed to reconcile the bank account statements timely.
- Effect: Generally, bank customers have 60 days to notify their financial institutions of an error or unauthorized transaction. After this period, the customer can be subject to unlimited losses.
- Recommendation: To protect the Village from the risk of losses, the Clerk should reconcile all bank accounts within 60 days of receipt.

Management's Response and Planned Corrective Action:

To ensure compliance with the bank reconciliations, the Mayor and Clerk have made a schedule to ensure that all bank records are reconciled on a specific day of the month by the Clerk and that each completed reconciliation is signed by the Mayor before the Assistant Clerk files them in the correct bank binder.

2020-7 Failure to file Form W-2 Wage and Tax Statements with the Social Security Administration

- Criteria: Federal and state statute require Form W-2 Wage and Tax Statements to be filed timely.
- Condition: In 2016, the Form W-2 Wage and Tax Statements were not filed timely.
- Cause: Failure to file the 2016 Form W-2 Wage and Tax Statements timely resulted in an assessed civil penalty in the amount of \$13,533.
- Effect: The Village was assessed a civil penalty of \$13,533 for failure to file the 2016 Form W-2 Wage and Tax Statements in a timely manner.
- Recommendation: The Village should ensure all Form W-2 Wage and Tax Statements are filed in a timely manner.

Management's Response and Planned Corrective Action:

The Village of North Hodge has set a yearly schedule before January 28th to file Form W-2 wage and Tax Statements with the Social Security Administration electronically.

VILLAGE OF NORTH HODGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2020

FINDINGS-FINANCIAL STATEMENTS AUDIT

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

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

STATUS: **UNCLEARED**

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

Schedule 12

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

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

Schedule 12

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

STATUS: **UNCLEARED**

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

STATUS: **UNCLEARED**

2019-1: - Operating Deficit in Water and Sewer Fund (*Repeat Finding*)-The Village adopted a budget for its water and sewer fund. The Village has a bond covenant which requires the sewer and water fund to operate with sufficient funds to service the bond debt and cover the related operating expenses. The budget should be monitored and revised as needed to maintain a balanced budget. The Village had an operating deficit in the sewer and water fund. The budget reflects a breakeven change in net position. The Sewer and Water Fund planned for a deficit in operations of \$14,150. Although the actual variance was \$5,530.

STATUS: **UNCLEARED**

2019-2: - Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (*Repeat Finding*)-These amounts are required to be held by the Village in a separate account in the Village’s name as a security for the utility services and is to be refunded to the customer upon termination of services and outstanding utility amounts are fully satisfied. The amounts held in the security deposit accounts was insufficient to meet customer deposit liability as follows:

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

STATUS: **UNCLEARED**

2019-3: - Failure to enact, record and publish ordinances as required by R.S. 33:406. (*Repeat Finding*)-R. S. 33:406 requires the “municipal clerk shall publish each ordinance adopted by the board of aldermen once in the official journal of the municipality, designated pursuant to R.S. 43:141 through R.S. 43:149, within twenty days of its adoption and prior to its effective date, except as otherwise provided in R.S. 33:405(D).” For the fiscal year ended September 30, 2018, the Village passed four ordinances. One of the ordinances was not timely published after the adoption as required by R.S. 33:406.

STATUS: **UNCLEARED**

2019-4 - Noncompliance with revenue bond covenant agreement (*Repeat Finding*)- The resolution authorizing the sewer revenue bonds requires the following:

1. The Village establish a separate bond reserve fund and monthly deposits of \$272.60 are required to be made to the fund.

STATUS: **UNCLEARED**

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

Schedule 12

2. The sewer and water fund should operate with sufficient funds to service the debt and pay operating costs of the fund.

STATUS: **CLEARED**

2019-5: - Untimely payroll tax payments (*Repeat Finding*)-Federal and state statute require payroll taxes to be deposited timely. For the year ended September 30, 2019, the Village had unpaid federal payroll taxes, penalties and interest of \$43,820 and unpaid state payroll taxes, penalties and interest \$4,896 which were incurred during fiscal years ending September 30, 2015 and September 30, 2016.

STATUS: **UNCLEARED**

2019-6: - Untimely reconciliation of bank statements- Bank statements were not reconciled within 60 days of receipt to protect the Village against the risk of losses from fraudulent transactions and errors. For the year ended September 30, 2020, the Village's bank statements were reconciled over 60 days after receipt.

STATUS: **UNCLEARED**



Phone: 318-259-4272

VILLAGE OF NORTH HODGE

P.O. Box 520 | Hodge, Louisiana 71247

E-mail: northhodgemayor@gmail.com



Fax: 318-259-1055

Mayor Kathy Robertson

To: Louisiana Legislative Auditor

June 28, 2021

Subject: Audit Findings and Management Corrective Action Plan

Dear Sir:

In response to the audit findings for the fiscal year ending September 30, 2020, The Village of North Hodge, Louisiana will implement the following corrective action plan:

2020-1: Operating Deficit in Water and Sewer Fund (*Repeat Finding*)

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

Condition: For the year ended September 30, 2020, the Sewer and Water Fund planned for an operating surplus of \$65,372 but had actual deficit of \$6,473. Although the actual variance was \$5,530, the Village should plan for a balance budget.

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

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

Recommendation: Budgets should be timely monitored and be properly amended as needed.

Management's Response and Planned Corrective Action:

The Village of North Hodge passed an Ordinance late 2019 to raise water rates beginning January 2020. We had planned for the water account to have a higher revenue in one year time, but due to a worldwide pandemic (COVID19), the situation changed. The Village was paying out money during this time on bills, but unfortunately, the projected revenue was not coming in, causing the Village to be in deficit. During this time, we have offered a payment plan to our customers who have fallen behind, allowing them to pay a minimum amount. Now that the pandemic has slowed a year later and restrictions have been lifted, we will be collecting water/sewer revenue regularly and taking action if the balance is not paid.

Village Of North Hodge, Louisiana
 Audit Findings and Management Corrective Action Plan (Continued)

2020-2: Customer Meter Deposit Cash Insufficient to Meet Customer Deposit Liability (*Repeat Finding*)

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

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

Restricted Cash	\$ 7,389
Utility Meter Liability	10,877
Underfunding	\$ (3,488)

Cause: For the year ended September 30, 2020, 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:

*The Village of North Hodge passed an Ordinance late 2019 to raise water rates beginning January 2020. We had planned for the water account to have a higher revenue balance in one year time, but due to a worldwide pandemic (COVID19), the situation changed, causing the Village to be in deficit. Since revenue was not coming in regularly, we were not able to provide the revenue needed to eliminate the underfunding in the utility meter account at that time.
 We would like to note that as of June 2021, the Village of North Hodge has been able to eliminate the underfunding in the utility meter account.*

2020-3: Failure to enact, record and publish ordinances as required by R.S. 33:406. (*Repeat Finding*)

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

- (1) A proposed ordinance may be introduced by any alderman at any board meeting. Each proposed ordinance shall be in writing.
- (2) After a proposed ordinance has been introduced, copies of it shall be provided to all members of the board and the mayor.

Condition: Two incomplete ordinances were presented for adoption and were adopted but never published.

Village Of North Hodge, Louisiana
Audit Findings and Management Corrective Action Plan (Continued)

Cause: The Village used an incomplete template for an Environmental Protection Agency (EPA) ordinance for protection against public water supply contamination for discussion at a public hearing with “Draft” printed on the document. The improper ordinance was adopted by the Board but never completed or published. An example of an ordinance for flood damage protection was presented for public hearing and adoption. The Village did not modify the ordinance for relevance for the Village of North Hodge, Louisiana before presentation and adoption.

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

Recommendation: Ordinances should be complete when presented for public hearing and adoption. If a sample or template is used for an ordinance, the sample or template should not be presented for public hearing or to the board for adoption. The sample or template should be revised and completed as relevant to the Village of North Hodge, Louisiana.

Management’s Response and Planned Corrective Action:

To ensure compliance that ordinances are completed for public hearings and adoption, the Village has prepared a schedule that tracks the completion of each ordinance. The Mayor, Clerk and Assistant Clerk will ensure that that each ordinance is in correct form and completed to the Village of North Hodge relevance. Once the ordinance is brought to the Board of Aldermen, each member will look over the ordinance to ensure it is in compliance before adoption.

2020-4 Noncompliance with revenue bond covenant agreement (*Repeat Finding*)

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

1. The Village establish a separate bond reserve fund and monthly deposits of \$272.60 are required to be made to the fund.

Condition: For the year ended September 30, 2020:

1. The fund was under-funded by \$10,160.

Cause: The required monthly deposits are not being made into the bond reserve 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 Village of North Hodge passed an Ordinance late 2019 to raise water rates beginning January 2020. We had planned for the water account to have a higher balance in one year time, but due to a worldwide pandemic (COVID19), the situation changed, causing the Village to be in deficit. Since revenue was not coming in regularly, we were not able to provide the revenue needed to eliminate the underfunding in the utility bond reserve. Now, a year later, with restrictions lifted and revenue rising, the Village is planning to make \$1200 monthly payments starting July

Village Of North Hodge, Louisiana
Audit Findings and Management Corrective Action Plan (Continued)

2021, which should eliminate the underfunding of the utility bond reserve in approximately 6-7 months.

2020-5 Untimely payroll tax payments (*Repeat Finding*)

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

Condition: For the year ended September 30, 2020, the Village had unpaid federal payroll taxes, penalties and interest of \$50,670 and unpaid state payroll taxes, penalties and interest \$6,850 which were incurred during fiscal years ending September 30, 2015, and September 30, 2016.

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

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

Recommendation: The Village is currently in an installment agreement with the Internal Revenue Service Center to pay past due payroll tax obligations. Unfortunately, the amount which the Village can afford to pay to the Internal Revenue Service Center is primarily paying interest. The Village has submitted an offer and compromise with Internal Revenue Center.

Management's Response and Planned Corrective Action:

The Village of North Hodge has submitted an offer and compromise with Internal Revenue Service. We are paying our current payroll taxes monthly and sending our 941's every quarter in a timely manner.

2020-6 Untimely reconciliation of bank statements (*Repeat Finding*)

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

Condition: For the year ended September 30, 2020, the Village's bank statements were reconciled over 60 days after receipt.

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

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

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

Management's Response and Planned Corrective Action:

To ensure compliance with the bank reconciliations, the Mayor and Clerk have made a schedule to ensure that all bank records are reconciled on a specific day of the

Village Of North Hodge, Louisiana
Audit Findings and Management Corrective Action Plan (Continued)

month by the Clerk and that each completed reconciliation is signed by the Mayor before the Assistant Clerk files them in the correct bank binder.

2020-7 Failure to file Form W-2 Wage and Tax Statements with the Social Security Administration

Criteria: Federal and state statute require Form W-2 Wage and Tax Statements to be filed timely.

Condition: In 2016, the Form W-2 Wage and Tax Statements were not filed timely.

Cause: Failure to file the 2016 Form W-2 Wage and Tax Statements timely resulted in an assessed civil penalty in the amount of \$13,533.

Effect: The Village was assessed a civil penalty of \$13,533 for failure to file the 2016 Form W-2 Wage and Tax Statements in a timely manner.

Recommendation: The Village should ensure all Form W-2 Wage and Tax Statements are filed in a timely manner.

Management's Response and Planned Corrective Action:

The Village of North Hodge has set a yearly schedule before January 28th to file Form W-2 wage and Tax Statements with the Social Security Administration electronically.

Signed: 

Title: MAYOR