

VILLAGE OF HODGE
Hodge, Louisiana

Annual Financial Statements
With Independent Auditor's Report

As of and For the Year Ended
June 30, 2009
With Supplemental Information Schedules

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

Release Date 6/16/10

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

VILLAGE OF HODGE
Hodge, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hodge as of June 30, 2009, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Hodge's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Hodge as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009, on our consideration of the Village of Hodge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison information on pages 7 through 11 and page 36, respectively, are not a required part of the basic financial statements but are supplementary information required by U. S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Kenneth R. Jordan & Co

December 30, 2009
Jonesboro, Louisiana

REQUIRED SUPPLEMENTARY INFORMATION

PART I

**Village of Hodge
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2009**

As Management of the Village of Hodge, we offer readers of the Village of Hodge's financial statements this narrative overview and analysis of the financial activities of the Village of Hodge as of and for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the Village's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements can be found on pages 13 - 14 of this report.

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

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

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

The Village of Hodge maintains two individual governmental funds. Information as of and for the year ended June 30, 2009, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds.

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

The governmental fund financial statements can be found on pages 15 - 18 of this report.

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

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

The proprietary fund financial statements can be found on pages 19 - 22 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 34 of this report.

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

FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at June 30, 2009 by \$1,865,868.
- The Village's net assets increased by \$164,362 as a result of this year's operations. The net assets of the governmental activities decreased by \$272,499 from operations, the net assets of the business-type activities decreased by \$436,862.
- At June 30, 2009, the Village's governmental funds reported total ending fund balances of \$107,678, an decrease of \$204,427, from June 30, 2008. The entire balance is available for spending at the Village's discretion.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 174,320	\$ 355,111	\$ 53,303	\$ 53,500	\$ 227,623	\$ 408,611
Capital assets, net	992,048	1,060,752	761,845	321,640	1,753,893	1,382,392
Total assets	1,166,368	1,415,863	815,148	375,140	1,981,516	1,791,003
Current and other liabilities						
Long-term liabilities	66,642	43,006	49,006	45,860	115,648	88,866
Total liabilities	66,642	43,006	49,006	45,860	115,648	88,866
Net assets:						
Invested in capital assets, net of related debt	992,048	1,060,752	761,845	321,640	1,753,893	1,382,392
Restricted for debt service	-	-	-	-	-	-
Unrestricted	107,678	311,473	4,297	7,640	111,975	319,113
Total net assets	\$ 1,099,726	\$ 1,372,225	\$ 766,142	\$ 329,280	\$ 1,865,868	\$ 1,701,505

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets of the Village of Hodge exceeded liabilities by \$1,865,868. A significant portion (94%) of the Village of Hodge's net assets reflects its investments in capital assets (e.g., land, building, and improvements and equipments, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending.

CHANGE IN NET ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
REVENUES						
General revenues:						
Taxes:						
Ad valorem	\$ 135,230	\$ 123,063			\$ 135,230	\$ 123,063
Sales taxes	229,084	452,382			229,084	452,382
Franchise tax	1,772	3,085			1,772	3,085
Other taxes	-	-			-	-
Licenses and permits	19,703	19,726			19,703	19,726
Fines, forfeitures, and court costs	54,161	39,939			54,161	39,939
Intergovernmental	21,447	16,259			21,447	16,259
Interest earnings	3,541	6,269	531	657	4,072	6,926
Grants	295,633	-			295,633	-
Other	19,235	5,541			19,235	5,541
Business revenues:						
Charges for services	117,737	53,628	21,739	14,613	139,476	68,241
Miscellaneous	-	-	661	491	661	491
Total revenues	897,543	719,892	22,931	15,761	920,474	735,653

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
EXPENDITURES						
Current						
General government	196,578	196,657	-	-	196,578	196,657
Public safety	194,495	221,167	-	-	194,495	221,167
Sanitation	20,861	24,790	-	-	20,861	24,790
Highways and Streets	200,451	193,379	-	-	200,451	193,379
Service to Others	95,749	24,219	-	-	95,749	24,219
Utility	-	-	47,976	36,125	47,976	36,125
Total expenditures	708,134	660,212	47,976	36,125	756,110	696,337
Excess (Deficiency) of revenues over expenses	189,409	58,022	(25,046)	(20,364)	164,363	37,658
Capital contributions	13,143	-	(13,143)	-	-	-
Transfer of capital assets	(475,051)	(2,969)	475,051	2,969	-	-
Change in Net Assets	(272,499)	55,053	436,862	(17,395)	164,362	37,658
Net assets, beginning	1,372,225	1,317,172	329,280	346,675	1,701,505	1,663,847
Total net assets	\$ 1,099,726	\$ 1,372,225	\$ 766,142	\$ 329,280	\$ 1,865,867	\$ 1,701,505

Governmental activities. The most significant revenues of the governmental activities are general taxes (41%), which include ad valorem taxes (36%), and sales taxes (62%), and grant income (33%).

Highway and street expenses are the most significant (28%) of all governmental activities expenses, followed by general government expenses (27%). Depreciation expense is included in these amounts.

Governmental activities revenues increased \$177,651 in the current year as compared to the prior year. The increase was primarily attributable to a increase in grant income of \$295,633, an increase in service to others revenue of \$64,109, offset by a decrease in sales tax revenue of \$223,298.

Governmental activities expenses increased \$47,922 in the current year as compared to the prior year. The increase was primarily attributable to a increase in service to others expense of \$71,530 offset by a decrease in public safety expense of \$44,858.

Business-type activities. The operations of the business-type activities increased the Village's net assets by \$436,862. The business-type expenses exceeded the business-type revenues by \$25,046.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

Governmental funds. As of June 30, 2009, the combined governmental fund balances of \$107,678 reflect a decrease of \$204,427 from June 30, 2008. The entire fund balance is unreserved, which is considered available for appropriation.

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

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

The Utility Fund's net assets increased \$436,862 in the current year. The increase was primarily due to by a transfer from other funds of \$461,908 offset by expenses exceeding revenues by \$25,046.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund final budgeted revenues exceeded actual revenue by \$58,985, which resulted primarily from an decrease in sales and use tax of \$170,916 offset by a increase in services to others of \$45,105, a increase in miscellaneous revenue of \$18,203, and a increase in ad valorem taxes of \$15,230. General Fund final budgeted expenses were less than actual expenses by \$189,646, due primarily to actual capital outlay being lower than budgeted capital outlay, and actual police expense being lower than budgeted police expense..

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2009, the Village of Hodge's investment in capital assets for its governmental activities amounts to \$992,048 (net of accumulated depreciation), and its investment in capital assets for its business-type activities amounts to \$761,845 (net of accumulated depreciation). This investment includes land, buildings and improvements, furniture, and equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2010 budget is forecast to provide \$819,920 in estimated surplus and revenues to fund costs of \$747,900.

Capital outlay is budgeted in the amount of \$36,000.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF HODGE, LOUISIANA
STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 66,021	\$ 5,743	\$ 71,764
Accounts Receivable	108,299	2,548	110,847
Cash and equivalents-restricted	-	45,012	45,012
Capital assets (net of acc depr)	992,048	761,845	1,753,893
TOTAL ASSETS	<u>\$ 1,166,368</u>	<u>\$ 815,148</u>	<u>\$ 1,981,516</u>
LIABILITIES			
Accounts, salaries, and other payables	\$ 64,052	\$ 1,540	\$ 65,592
Due to HUOC	-	2,822	2,822
Accrued liabilities	2,590	-	2,590
Current liabilities payable from restricted assets - customer security deposits	-	44,645	44,645
TOTAL LIABILITIES	<u>66,642</u>	<u>49,006</u>	<u>115,648</u>
NET ASSETS			
Invested in capital assets, net of related debt	992,044	761,845	1,753,889
Unrestricted	107,678	4,297	111,975
TOTAL NET ASSETS	<u>\$ 1,099,722</u>	<u>\$ 766,142</u>	<u>\$ 1,865,864</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF HODGE, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	MAJOR FUNDS			Net (Expense) Revenue and Changes in Net Assets			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 196,578	\$ -	\$ -	295,633	\$ 99,055	\$ -	\$ 99,055
Fire	14,116	-	-	-	(14,116)	-	(14,116)
Police	180,379	54,161	-	-	(126,218)	-	(126,218)
Sanitation	20,861	11,982	-	-	(8,879)	-	(8,879)
Highways and Streets	200,451	890	-	-	(199,561)	-	(199,561)
Services to Related Party	95,749	105,105	-	-	9,356	-	9,356
Total governmental activities	708,134	172,138	-	295,633	(240,364)	-	(240,364)
Business-type activities:							
Water and Sewer	47,976	21,739	-	-	-	(26,238)	(26,238)
Total primary government	\$ 756,111	\$ 193,878	\$ -	\$ 295,633	\$ (240,364)	\$ (26,238)	\$ (266,602)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					135,230	-	135,230
Sales taxes					229,084	-	229,084
Franchise					1,772	-	1,772
License					19,703	-	19,703
Investment earnings					3,641	531	4,071
Other revenue					40,444	661	41,105
Operating transfers					13,143	(13,143)	-
Equity transfer					(475,051)	475,051	-
Total general revenues and transfers					(32,136)	463,100	430,964
Change in net assets					(272,500)	436,862	164,362
Net assets - Beginning					1,372,225	329,280	1,701,505
Net assets - Ending					\$ 1,099,725	\$ 766,142	\$ 1,865,867

The accompanying notes are an integral part of this financial statement.

**VILLAGE OF HODGE, LOUISIANA
GOVERNMENTAL FUNDS**

**Balance Sheet
June 30, 2009**

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and equivalents	\$ 66,021	\$ -	\$ 66,021
Receivables, net	80,036	28,263	108,299
TOTAL ASSETS	<u>\$ 146,057</u>	<u>\$ 28,263</u>	<u>\$ 174,320</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payables	\$ 35,789	28,263	64,052
Accrued expenses	2,590	-	2,590
TOTAL LIABILITIES	<u>38,379</u>	<u>28,263</u>	<u>66,642</u>
Fund Balances:			
Unreserved	107,678	-	107,678
TOTAL FUND BALANCE	<u>107,678</u>	<u>-</u>	<u>107,678</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 146,057</u>	<u>\$ 28,263</u>	<u>174,320</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF HODGE
Hodge, Louisiana

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2009

Total Fund Balances at June 30, 2009 - Governmental Funds	\$ 107,678
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.	992,048
Net Assets at June 30, 2009	<u>\$ 1,099,726</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF HODGE, LOUISIANA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Taxes:			
Ad Valorem	\$ 135,230	\$ -	\$ 135,230
Sales and Use	229,084	-	229,084
Franchise Tax	1,772	-	1,772
Licenses and permits	19,703	-	19,703
Capital grant	18,203	277,430	295,633
Intergovernmental			
Right-of-Way Maintenance	2,610	-	2,610
Fire Insurance Rebate	2,601	-	2,601
Parish Operating Fire Grant	1,103	-	1,103
Police Supplemental Pay	14,733	-	14,733
Witness Fee	400	-	400
Fines and forfeitures	54,161	-	54,161
Connection Fees	650	-	650
Garbage Fees	11,982	-	11,982
Services to Related Party	105,105	-	105,105
Interest earnings	3,541	-	3,541
Other Revenues			
Rent	868	-	868
Royalties	1,536	-	1,536
Miscellaneous	16,833	-	16,833
TOTAL REVENUES	<u>620,113</u>	<u>277,430</u>	<u>897,543</u>
EXPENDITURES			
Current:			
General government	192,302	-	192,302
Police	166,822	-	166,822
Fire	13,438	-	13,438
Streets	144,920	-	144,920
Sanitation	20,641	-	20,641
Services to Related Party	95,749	-	95,749
Capital outlay	53,780	427,460	481,240
Total expenditures	<u>687,653</u>	<u>427,460</u>	<u>1,115,113</u>
EXCESS (Deficiency) OF REVENUES			
Over(Under) Expenditures	<u>(67,540)</u>	<u>(150,030)</u>	<u>(217,570)</u>
Operating transfers in	19,117	156,009	175,125
Operating transfers out	<u>(156,004)</u>	<u>(5,979)</u>	<u>(161,983)</u>
Total other financing sources (uses)	<u>(136,887)</u>	<u>150,030</u>	<u>13,143</u>
NET CHANGES IN FUND BALANCES	<u>(204,427)</u>	<u>-</u>	<u>(204,427)</u>
FUND BALANCES - BEGINNING	<u>312,106</u>	<u>-</u>	<u>312,106</u>
FUND BALANCES - ENDING	<u>\$ 107,679</u>	<u>\$ -</u>	<u>\$ 107,679</u>

The accompanying notes to the financial statements are an integral part of this statement.

VILLAGE OF HODGE
Hodge, Louisiana

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes
In Fund Balances to the Statement of Activities
For the Year Ended June 30, 2009**

Total net change in fund balances - governmental funds (Statement E)	\$	(202,428)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period.</p>	404,980	
<p>Equity transfer of completed construction in progress from Capital Projects Fund to Utility Fund</p>		(475,051)
<p>Change in net assets of governmental activities (Statement B)</p>	<u>\$</u>	<u>(272,499)</u>

The accompanying notes to the financial statements are an integral part of this statement.

VILLAGE OF HODGE, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	WATER AND SEWER FUND
ASSETS	
Current Assets:	
Cash and equivalents	\$ 5,743
Receivables (net of allowances for uncollectibles)	<u>2,548</u>
Total Current Assets	<u>8,291</u>
Noncurrent Assets:	
Restricted Assets	
Cash - Customers Deposits	45,012
Capital Assets - Net of Accumulated Depreciation	<u>761,845</u>
Total Non-Current Assets	<u>806,856</u>
Total Assets	<u><u>815,148</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1,540
Due to HUOC	<u>2,822</u>
Total Current Liabilities	<u>4,361</u>
Current Liabilities payable from restricted assets - tenant security deposits	<u>44,645</u>
Non-Current Liabilities:	
Total Liabilities	<u>49,006</u>
NET ASSETS	
Invested in capital assets, net of related debt	761,845
Unrestricted	<u>4,297</u>
TOTAL NET ASSETS	<u><u>\$ 766,142</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**VILLAGE OF HODGE, LOUISIANA
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 For the Year Ended June 30, 2009**

		WATER AND SEWER FUND
OPERATING REVENUES		
Water sales	\$	9,039
Sewer fees		12,700
Miscellaneous		661
Total operating revenues		22,400
OPERATING EXPENDITURES		
Depreciation		34,846
Operations and maintenance of system		13,130
Total operating expenses		47,976
OPERATING LOSS		(25,577)
NON-OPERATING REVENUES (Expenditures)		
Interest earnings		531
Total non-operating revenues (expenditures)		531
Income (loss) before contributions and transfers		(25,046)
Operating transfers in		9,522
Operating transfers out		(22,664)
Net operating transfers		(13,143)
Equity transfer in		475,051
CHANGES IN NET ASSETS		436,862
TOTAL NET ASSETS - BEGINNING		329,280
TOTAL NET ASSETS - ENDING	\$	766,142

The accompanying notes are an integral part of this financial statement.

VILLAGE OF HODGE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
 JUNE 30, 2009

		WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$	21,232
Cash payments to suppliers for goods and services		(11,590)
Cash payments received (paid) to HUOC		2,227
Net cash provided by (used for) operating activities		11,869
CASH FLOWS FROM NON-CAPITAL FINANCING		
Transfers from other funds		484,573
Transfer to other funds		(22,664)
Net cash provided by noncapital financing activities		461,909
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets		(475,051)
Net cash used for capital and related financing activities		(475,051)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings		531
Net cash provided by (used for) investing activities		531
Net increase (decrease) in cash and cash equivalents		(742)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		51,497
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$	50,755

(Continued)

The accompanying notes are an integral part of this financial statement.

VILLAGE OF HODGE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
 JUNE 30, 2009

	WATER AND SEWER FUND
RECONCILIATION OF OPERATING INCOME TO NET PROVIDED BY OPERATION ACTIVITIES	
Operating income (loss)	\$ (25,577)
Adjustments	
Depreciation	34,846
Net changes in assets and liabilities:	
Accounts receivable	(1,380)
Prepaid insurance	835
Tenants' security deposits	1,579
Accounts payable	(817)
Due to HUOC	2,383
Net cash provided by (used for) operating activities	11,869

(Concluded)

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

Village of Hodge
Notes to Financial Statements
June 30, 2009

INTRODUCTION

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

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

C. FUNDS

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

Governmental Funds

Governmental funds account for most of the Village's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Village. The following are the Village's primary governmental funds:

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

Capital Projects Fund - The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds.

Proprietary Funds

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

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

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

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues.

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

Fund Financial Statements (FFS)

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

Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. As of and for the year ended June 30, 2009 the general fund is considered to be the only major fund and is reported in the Balance Sheet (Statement C) and in the Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement E). The capital projects fund is the only other (nonmajor) governmental fund of the Village.

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

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

Revenues

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

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

Expenditures

Salaries are recorded as expenditures when earned by employees.

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

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

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

Other Financing Sources (Uses)

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

E. BUDGETS

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

The 2008-2009 general fund budget was published in the official journal and made available for public inspection. A public hearing for the proposed budget was held on June 23, 2008 and the budget was adopted by the mayor and board of aldermen. There were no amendments made to the budget.

F. CASH AND CASH EQUIVALENTS

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

G. INVESTMENTS

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

H. INTERFUND RECEIVABLES/PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any

residual balances outstanding between the governmental activities and business-type activities

are reported in the government-wide financial statements as "internal balances."

I. CAPITAL ASSETS

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

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

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

J. ACCOUNTS PAYABLE

Of the \$71,004 total accounts, salaries and other payables reported on the balance sheet, \$1,837 represents amounts payable to employees for salaries payable. The balance of \$69,167 is due vendors for various operating services and materials, to taxing authorities for payroll tax withholdings, and to HUOC.

K. COMPENSATED ABSENCES

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

L. RESTRICTED ASSETS

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

M. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. INTERFUND TRANSACTIONS

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

transactions are reported as transfers.

O. ESTIMATES

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

2. AD VALOREM TAX

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

Ad valorem taxes are levied on a calendar year basis and become delinquent on December 31. The Village bills and collects its own ad valorem taxes. For the 2008 ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

6.90 mills for the general maintenance of the Village. This millage was approved by the Village Council on September 2, 2008. This millage is the maximum millage that can be assessed without the approval of voters.

For the year ended June 30, 2009, taxes of \$134,516 were levied on property. There were no accounts receivable at June 30, 2009.

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

Smurfit-Stone Container	\$112,532
Hodge Bank and Trust	3,403
DeLage Landen Operational Services	2,598
Altivity Packaging LLC	1,569
Caterpillar Financial Services	<u>1,309</u>
Total	<u>\$121,411</u>

3. SALES TAX

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

4. CASH AND CERTIFICATES OF DEPOSIT

At June 30, 2009, the Village had cash and restricted cash (book balances) totaling \$116,776.

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

The Village maintains its cash accounts at Hodge Bank and Trust. The bank provides Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000 for all demand deposits. At June

30, 2009, the Village had \$129,986 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 federal deposit insurance and \$518,906 of pledged securities held by a custodial bank in the name of the fiscal agent bank.

6. RECEIVABLES

The receivables of \$110,847 at June 30, 2009, are as follows:

	Fund			Total
	General	Capital Projects	Enterprise	
State-DOTD	\$ 1,305	\$ -	\$ -	\$ 1,305
Sales taxes	68,778	-	-	68,778
Customer	2,876	-	2,548	5,424
Other	7,077	28,263	-	35,340
	<u>\$ 80,036</u>	<u>\$ 28,263</u>	<u>\$ 2,548</u>	<u>\$ 110,847</u>

7. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2009, is as follows:

A. Capital Assets - Governmental Funds

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 59,291	\$ -	\$ -	\$ 59,291
Construction in progress	47,591	5,520	(47,591)	5,520
Total capital assets not being depreciated	106,882	5,520	(47,591)	64,811
Capital assets being depreciated:				
Buildings	224,693	-	-	224,693
Improvements other than Buildings	57,992	-	-	57,992
Streets	859,149	-	-	859,149
Machinery and Equipment	570,442	47,630	-	618,072
Total capital assets being depreciated	1,712,276	47,630	-	1,759,906
Less accumulated depreciation for:				
Buildings	(145,820)	(4,712)	-	(150,532)
Improvements other than Buildings	(55,247)	(296)	-	(55,543)
Streets	(77,886)	(55,531)	-	(133,417)
Machinery and Equipment	(479,454)	(13,723)	-	(493,177)
Total accumulated depreciation	(758,407)	(74,262)	-	(832,669)
Total capital assets being depreciated, net	953,869	(26,632)	-	927,237
Total capital assets, net	\$ 1,060,751	\$ (21,112)	\$ (47,591)	\$ 992,048

Functional Allocation of Depreciation Expense

Function	
General Government	\$4,275
Fire	678
Police	13,558
Sanitation	220
Highway and Streets	55,531
Total	\$74,262

B. Capital Assets - Proprietary Funds

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Constructions in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other Capital assets being depreciated:				
Water and Sewer System	428,904	475,051	-	903,955
Machinery & Equipment	57,277	-	-	57,277
Total other capital assets being depreciated	486,181	475,051	-	961,232
Less Accumulated Depreciation				
Water and Sewer System	(123,592)	(32,846)	-	(156,438)
Machinery and Equipment	(40,949)	(2,000)	-	(42,949)
Total Accumulated Depreciation	(164,541)	(34,846)	-	(199,387)
Total capital assets, net	\$ 321,640	\$ 440,205	\$ -	\$ 761,845

*Depreciation expense was charged to functions as follows

Business-type activities:	2009
Water and Sewer	\$ 32,846
Machinery and Equipment	2,000
Total Business-type activities depreciation expense	\$ 34,846

8. RETIREMENT

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

Plan Description

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

Under Plan B, employees can retire at any age with at least 30 years of creditable service or at age 60 with a minimum of 10 years of creditable service. Generally, the monthly amount of the retirement shall consist of an amount equal to 2% of the employee's final compensation multiplied by their years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Funding Policy

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary and the Village of Hodge is required to contribute at an actuarially determined rate. The current rate is 6.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village of Hodge are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year, equal to the required contributions for each year. The Village contributions to the System under Plan B for the year ending June 30, 2009 and June 30, 2008 were \$4,989 and \$4,832; equal to the required contributions for the year

9. RELATED PARTY TRANSACTIONS

The mayor and mayor pro-tem serve on the Board of Directors of the Hodge Utility Operating Company (HUOC) along with six members appointed by Smurfit-Stone Container Corporation. HUOC operates and manages the water, sewerage, and electric generating facilities owned by the Village of Hodge Combined Utility System (another related party). HUOC is considered to be a related party. During the year ended June 30, 2009, revenues for franchise taxes, in lieu of taxes, and fees for services rendered were received by the general fund from HUOC in the amount of \$105,105 and expenses paid from the enterprise fund to HUOC were \$2,550 for the year.

The Village provides various services to HUOC during the year, including the billing and collecting of electricity generated by HUOC for the Village's water and sewer customers. The amounts collected by the Village for HUOC are remitted to HUOC once a week. At June 30, 2009, the Village had collected, but not remitted, \$2,822 to HUOC.

10. COMMITMENTS

The Village of Hodge completed the upgrade to the Village gravity sewer system for \$397,954 in the current fiscal year. The Village was awarded a Louisiana Community Development Block Grant for \$227,430 to help fund the project. The balance was funded by the Village of Hodge's General Fund.

The Village of Hodge completed the Fifth Street sewer system upgrade for \$77,096 in the current fiscal year. The Village received \$50,000 in Louisiana Government Assistance Program Grants to help fund the project. The Village funded the balance of the cost of the project from the General Fund.

11. RISK MANAGEMENT AND ECONOMIC DEPENDENCY

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

The Village is economically dependent upon Smurfit-Stone Container Corporation, which provides the majority of property tax and sales tax revenue for the Village. There were no receivables at June 30, 2009, due from Smurfit-Stone Container Corporation.

12. LITIGATION AND CLAIMS

At June 30, 2009, the Village was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance at the end of the fiscal year.

13. POTENTIAL LITIGATION AND CLAIMS

The Village of Hodge has potential litigation and claims arising from its issuance of Village of Hodge, Louisiana Combined Utility System Revenue Refunding Bonds, Series 2003. The Village of Hodge has an agreement with the operator of the local paper mill, Smurfit-Stone Container Corporation, that states should the Village of Hodge be required to make payment on the bonds, the operator of the mill will make those payments. However, Smurfit-Stone Container Corporation filed a Petition for Relief under the United States laws relating to Bankruptcy in January, 2009. The Village of Hodge has been notified that Smurfit-Stone Container Corporation is not making payments to the bond holders as required by the bond indentures.

It is reasonably certain that the amount of the bonds owed exceed the assets of the Village of Hodge. At this time, it cannot be determined the risk to the Village of Hodge due to the default of Smurfit-Stone Container Corporation on the bond payments. Therefore, no provision for liability has been recorded on the Village financial records.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

Village of Hodge, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget vs Actual
GENERAL FUND
For the Year Ended June 30, 2009

	Budget Original/Final	Actual	Over / (Under) Adjusted Budget
Revenues			
Taxes			
Ad Valorem	\$ 120,000	\$ 135,230	\$ 15,230
Sales and use	400,000	229,084	(170,916)
Franchise taxes	2,000	1,772	(228)
Licenses and permits	18,000	19,703	1,703
Capital grant	-	18,203	18,203
Intergovernmental			
Right-of-way maintenance	2,500	2,610	110
Fire insurance rebate	3,000	2,601	(399)
Parish Operating Fire Grant	-	1,103	1,103
Police Supplemental Pay	20,400	14,733	(5,667)
Witness Fees	-	400	400
Fines and forfeitures	42,000	54,161	12,161
Charges for Services			
Connection Fees	500	650	150
Garbage Fees	-	11,982	11,982
Services to Related Party	60,000	105,105	45,105
Interest earnings	5,000	3,541	(1,459)
Other Revenues			
Rent	1,000	868	(132)
Royalties	2,000	1,536	(464)
Miscellaneous	2,700	16,833	14,133
Total Revenues	<u>679,100</u>	<u>620,115</u>	<u>(58,985)</u>
Expenditures			
Current-			
General government	185,800	192,301	(6,501)
Police	249,500	166,822	82,678
Fire	24,800	13,439	11,361
Streets	175,800	144,921	30,879
Sanitation	34,300	20,642	13,658
Services to Related Party	52,100	95,749	(43,649)
Capital outlay	155,000	53,780	101,220
Total expenditures	<u>877,300</u>	<u>687,654</u>	<u>189,646</u>
Excess(Deficiency) Revenues			
Over Expenditures	<u>(198,200)</u>	<u>(67,539)</u>	<u>130,661</u>
Other Financing Sources(Uses):			
Operating transfers in	-	19,117	19,117
Operating transfers out	-	(156,004)	(156,004)
Total Other Financing Sources(Uses)	<u>-</u>	<u>(136,887)</u>	<u>(136,887)</u>
Net Changes in Fund Balances	<u>(198,200)</u>	<u>(204,426)</u>	<u>(6,226)</u>
Fund Balances - Beginning	<u>312,106</u>	<u>312,106</u>	<u>-</u>
Fund Balances - Ending	<u>113,906</u>	<u>\$ 107,680</u>	<u>\$ (6,226)</u>

The accompanying notes are an integral part of this statement.

**VILLAGE OF HODGE
Hodge, Louisiana**

**Notes to the Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009**

NOTE 1 - BUDGETARY POLICIES

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

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

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

Village of Hodge
Hodge, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Hodge, as of and for the year ended June 30, 2009, which collectively comprise the Village of Hodge's basic financial statements and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Hodge's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Hodge's financial statements that is more than inconsequential will not be prevented or detected by the Village of Hodge's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Hodge's internal control.

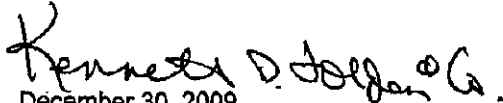
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. The deficiencies described in the accompanying schedule of findings and questioned costs as finding 2009-2 and finding 2009-3 are considered to be significant deficiencies in internal control over financial reporting, and finding 2009-2 is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Hodge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2009-1 and item 2009-4

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

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


December 30, 2009
Jonesboro, Louisiana

SUPPLEMENTAL INFORMATION

**VILLAGE OF HODGE
Hodge, Louisiana**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

We have audited the basic financial statements of the Village of Hodge as of and for the year ended June 30, 2009, and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2009 resulted in an unqualified opinion.

A. SUMMARY OF AUDITOR'S REPORTS

Report on Internal Control and Compliance Material to Financial Statements

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

**CURRENT YEAR
2009-1-Untimely Filing of Report**

The Village of Hodge did not have annual financial statements filed within six months of the close of the year as required by law.

Recommendation

Management put in place procedures to ensure future filings will be submitted as required by law.

Management Response

Practices have been put in place that will ensure future required filings will be submitted in a timely manner, and within the time frame required by state law.

2009-2-Inadequate Separation of Duties

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

Recommendation

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

Management Response

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

2009-3-Inadequate Controls over Preparation of Financial Statements

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

Recommendation

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

Management Response

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

2009-4-Compliance with Local Government Budget Law

Louisiana state law requires that the Budget be properly amended if actual revenues are less than budgeted revenues by 5% or more. For fiscal year 2008-2009, the Village of Hodge actual revenues were less than budgeted revenues by 8%.

Recommendation

The Village of Hodge put in place procedures to ensure the annual Budget is amended when necessary.

Management Response

The Village of Hodge will institute procedures to ensure the Budget is properly amended as required by state law.

PRIOR YEAR
2008-1-Untimely Filing of Report

The Village of Hodge did not have annual financial statements filed within six months of the close of the year as required by law.

Recommendation

Management put in place procedures to ensure future filings will be submitted as required by law.

Management Response

Practices have been put in place to insure future required filings will be submitted in a timely matter, and within the time frame required by state law.

2008-2-Inadequate Separation of Duties

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

Recommendation

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

Management Response

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

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VILLAGE OF HODGE
Hodge, Louisiana

Schedule of Compensation Paid Councilpersons
For the Year Ended June 30, 2009

	2009
James Culpepper	\$ 3,675
Randall Harrington	3,675
Carla Smith	3,675
Total	\$ 11,025