

**VILLAGE OF NORTH HODGE
LOUISIANA**

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

VILLAGE OF NORTH HODGE, LOUISIANA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Kathy Robertson, Mayor and
Board of Aldermen
Village of North Hodge
P.O. Box 520
Hodge, Louisiana 71247

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business type activities, and each major fund of the Village of North Hodge, Louisiana, as of and for the year ended September 30, 2014, 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 the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Basis for Qualified Opinions

Because of the inadequacies in the Village's accounting records, I was unable to obtain sufficient appropriate audit evidence about the amount recognized for fines and forfeitures revenue and the amount recognized for water and sewer sales revenue for the year ended September 30, 2014.

Qualified Opinions

In my opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, 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 North Hodge, Louisiana, as of and for the year ended September 30, 2014, 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.

Emphasis-of-Matter

As discussed in Note 11, the Louisiana Legislative Auditor conducted an investigative audit of the Village of North Hodge, Louisiana, and issued their report April 8, 2015. A summary of the findings from this report are included on the Schedule of Findings and Questioned Costs on page 35.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 - 8 and 31 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 response to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of North Hodge's basic financial statements. The supplemental schedule of compensation, benefits and other payments to the Mayor of the Village of North Hodge is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and contain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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, the schedule of compensation, benefits and other payments to the Mayor of the Village of North Hodge 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 August 31, 2015, on my consideration of the Village of North Hodge's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of North Hodge's internal control over financial reporting and compliance.



Don M. McGehee
Certified Public Accountant
August 31, 2015

**REQUIRED SUPPLEMENTAL INFORMATION
(PART I)**

VILLAGE OF NORTH HODGE

P.O. Box 520

Hodge, Louisiana 71247

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

The discussion and analysis of the Village of North Hodge's financial performance provides an overview of the financial activities for the year ended September 30, 2014. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 10.

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.

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
Total Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 32,602	\$ 33,317	\$ 109,101	\$ 35,708	\$ 141,703	\$ 69,025
Capital Assets	212,143	228,324	1,458,451	1,380,438	1,670,594	1,608,762
Total Assets	<u>244,745</u>	<u>261,641</u>	<u>1,567,552</u>	<u>1,416,146</u>	<u>1,812,297</u>	<u>1,677,787</u>
Long-Term Debt	0	0	298,000	0	298,000	0
Liabilities	<u>21,700</u>	<u>14,986</u>	<u>145,459</u>	<u>31,832</u>	<u>167,159</u>	<u>46,818</u>
Total Liabilities	<u>21,700</u>	<u>14,986</u>	<u>443,459</u>	<u>31,832</u>	<u>465,159</u>	<u>46,818</u>
Net Position:						
Investment in Capital Assets	212,143	228,324	1,160,451	1,380,438	1,372,594	1,608,762
Restricted	0	12,200	0	0	0	12,200
Unrestricted	<u>10,902</u>	<u>6,131</u>	<u>(36,358)</u>	<u>3,876</u>	<u>(25,456)</u>	<u>10,007</u>
Total Net Position	<u>\$ 223,045</u>	<u>\$ 246,655</u>	<u>\$ 1,124,093</u>	<u>\$ 1,384,314</u>	<u>\$ 1,347,138</u>	<u>\$ 1,630,969</u>

Total net position decreased 17% (\$283,831) in the current year compared to the prior year. There was a deficit of \$25,456 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, \$1,372,594 and \$1,608,762 in 2014 and 2013, respectively, 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 2014 and less than 1% (\$12,200) for 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$119,832	\$ 79,815	\$ 101,893	\$ 82,216	\$ 221,725	\$ 162,031
Operating Grants and Contributions	10,260	7,770	0	0	10,260	7,770
Capital Grants and Contributions	2,571	23,110	45,438	26,799	48,009	49,909
General Revenues:						
Taxes	55,572	50,283	0	0	55,572	50,283
Licenses	4,616	5,285	0	0	4,616	5,285
Grants	7,500	7,500	0	0	7,500	7,500
Other	8,109	435	33	36	8,142	471
Total Revenues	<u>208,460</u>	<u>174,198</u>	<u>147,364</u>	<u>109,051</u>	<u>355,824</u>	<u>283,249</u>
Program Expenses						
General Government	77,602	62,802	0	0	77,602	62,802
Police	125,099	68,769	0	0	125,099	68,769
Streets	29,369	33,254	0	0	29,369	33,254
Sanitation	0	50	0	0	0	50
Water and Sewer	0	0	407,585	128,919	407,585	128,919
Total Expenses	<u>232,070</u>	<u>164,875</u>	<u>407,585</u>	<u>128,919</u>	<u>639,655</u>	<u>293,794</u>
Increase (Decrease) in Net Position	(23,610)	9,323	(260,221)	(19,868)	(283,831)	(10,545)
Net Position - Beginning	<u>246,655</u>	<u>237,332</u>	<u>1,384,314</u>	<u>1,404,182</u>	<u>1,630,969</u>	<u>1,641,514</u>
Net Position - Ending	<u>\$223,045</u>	<u>\$246,655</u>	<u>\$1,124,093</u>	<u>\$1,384,314</u>	<u>\$1,347,138</u>	<u>\$1,630,969</u>

Governmental activities were responsible for a \$23,610 decrease and a \$9,323 increase in the Village's net position for the year ended September 30, 2014 and 2013, respectively. The Village received \$12,831 in 2014 in grant proceeds for the purchase of equipment, improvements, and for general use. Sales tax revenue increased \$7,074 in 2014. The Village also had an increase in other revenue of \$7,674 compared to 2013. General government expenses increased \$14,800, primarily due to improvements that were made to the town hall and an increase in legal and accounting expenses. The Village increased their police department activity, which resulted in a \$40,017 increase in fines and a \$56,330 increase in police expenses.

Business-type activities decreased net position \$260,221 for the year ended September 30, 2014, compared to a decrease of \$19,868 to net position for 2013. This was primarily due to an increase in system repairs and maintenance of \$255,070. The Village had emergency sewer repairs and an improvement project. The Village received \$45,438 in grant proceeds and \$298,000 in bond proceeds to fund this project in 2014. The Village increased water and sewer rates for the last two months of 2013. This rate change resulted in a 2014 \$19,677 increase in charges for services compared to the 2013 charges.

Fund Financial Statements

As of September 30, 2014, the Village's governmental funds reported a fund balance of \$10,773, which is \$7,370 less than last year's fund balance. Forty-two percent (42%) of total fund balance is considered unspendable because it has been used for prepaid items of \$4,494. The remaining fifty-eight percent (58%) or \$6,279 is unassigned. During 2014, the Village had \$9,351 in capital outlay expenditures in its governmental funds. The Village used a grant to purchase a building for \$2,571 for the police department. The police department also purchased equipment for \$2,500. The Village purchased vehicles for \$4,280 in the street department. These capital outlay expenditures used funds available, but created new assets for the Village, as reported in the Statement of Net Position.

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.

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. There were no budget amendments adopted for the current year.

There was an unfavorable variance between budgeted expenditures versus actual amounts expended exceeding 5% of the amounts budgeted because additional insurance costs, salaries, equipment operating expenses, equipment repairs, supplies, telephone and utilities, office supplies, and capital outlay were not budgeted.

Capital Assets and Debt Administration

In 2014, the Village of North Hodge had an increase of \$9,351 in their investment of capital assets for the general fund and an increase of \$123,965 for the utility fund. For the upcoming year, the Village has no plans to invest in additional general fund capital assets, but plans to complete the emergency sewer project in the utility fund. There are no plans to issue debt to finance the purchase of any capital assets in the general fund, but the utility fund will receive the balance of bond proceeds to be used on the sewer project.

The Village issued \$298,000 in bonds for the year ending September 30, 2014. An additional \$42,000 is available as undisbursed bond proceeds that will be disbursed in the next year. No principal payments were made in 2014 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, except the completion of the Village's emergency sewer repairs and improvements project.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash	\$ 861	\$ 2,414	\$ 3,275
Accounts Receivable, net	0	9,152	9,152
Taxes Receivable	13,418	0	13,418
Due from State Grant	1,620	0	1,620
Interest Receivable	0	7	7
Prepaid Insurance	4,494	2,753	7,247
Internal Balances	12,209	(12,209)	0
NONCURRENT ASSETS:			
Restricted Assets-Cash	0	101,984	101,984
Restricted Certificate of Deposit	0	5,000	5,000
Capital Assets, net	<u>212,143</u>	<u>1,458,451</u>	<u>1,670,594</u>
TOTAL ASSETS	<u>\$ 244,745</u>	<u>\$ 1,567,552</u>	<u>\$ 1,812,297</u>
 LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	\$ 20,466	\$ 17,169	\$ 37,635
Contracts Payable	0	77,288	77,288
Retainage Payable	0	29,938	29,938
Accrued Expenses	1,234	1,314	2,548
Accrued Interest Payable	0	487	487
Current Maturities of Long-Term Debt	0	18,045	18,045
NONCURRENT LIABILITIES:			
Customer Deposits	0	19,263	19,263
Long-Term Debt	<u>0</u>	<u>279,955</u>	<u>279,955</u>
TOTAL LIABILITIES	<u>21,700</u>	<u>443,459</u>	<u>465,159</u>
 NET POSITION			
Invested in Capital Assets	212,143	1,160,451	1,372,594
Unrestricted	<u>10,902</u>	<u>(36,358)</u>	<u>(25,456)</u>
TOTAL NET POSITION	<u>223,045</u>	<u>1,124,093</u>	<u>1,347,138</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 244,745</u>	<u>\$ 1,567,552</u>	<u>\$ 1,812,297</u>

See accompanying notes to financial statements.

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 77,602	\$ 0	\$ 3,640	\$ 0	\$ (73,962)	\$ 0	\$ (73,962)
Police	125,099	118,392	6,620	2,571	2,484	0	2,484
Streets	29,369	1,440	0	0	(27,929)	0	(27,929)
TOTAL GOVERNMENTAL ACTIVITIES	232,070	119,832	10,260	2,571	(99,407)	0	(99,407)
BUSINESS-TYPE ACTIVITIES:							
Water and Sewer	407,585	101,893	0	45,438	0	(260,254)	(260,254)
TOTAL PRIMARY GOVERNMENT	\$ 639,655	\$ 221,725	\$ 10,260	\$ 48,009	(99,407)	(260,254)	(359,661)
GENERAL REVENUES:							
Ad Valorem					6,126	0	6,126
Franchise Tax					11,085	0	11,085
Sales Tax					14,512	0	14,512
Electronic Video Bingo					23,849	0	23,849
Licenses					4,616	0	4,616
Grants not restricted to specific programs					7,500	0	7,500
Investment Earnings					9	33	42
Other Revenue					5,460	0	5,460
Gain on Sale of Assets					2,640	0	2,640
TOTAL GENERAL REVENUES					75,797	33	75,830
CHANGE IN NET POSITION					(23,610)	(260,221)	(283,831)
NET POSITION-BEGINNING					246,655	1,384,314	1,630,969
NET POSITION-ENDING					\$ 223,045	\$ 1,124,093	\$ 1,347,138

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

VILLAGE OF NORTH HODGE, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND
GENERAL FUND
SEPTEMBER 30, 2014

ASSETS	
Cash	\$ 861
Taxes Receivable	13,418
Due from State Grant	1,620
Prepaid Insurance	4,494
Due from Utility Fund	<u>12,209</u>
TOTAL ASSETS	\$ <u>32,602</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts Payable	\$ 20,466
Accrued Expenses	1,234
Deferred Revenue	<u>129</u>
TOTAL LIABILITIES	<u>21,829</u>
FUND BALANCE:	
Nonspendable--	
Prepaid Insurance	4,494
Unassigned	<u>6,279</u>
TOTAL FUND BALANCE	<u>10,773</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>32,602</u>

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total Fund Balance-Governmental Fund	\$ 10,773
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	212,143
Certain ad valorem taxes receivable are not available to pay for current period expenditures and therefore are recognized as deferred revenues.	<u>129</u>
 Net Position of Governmental Activities	 \$ <u>223,045</u>

See accompanying notes to financial statements.

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--GOVERNMENTAL FUND TYPE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES

Taxes:	
Sales	\$ 14,512
Franchise	11,085
Ad Valorem	6,185
Electronic Video Bingo	23,849
Licenses and Permits	4,616
Interest	9
Intergovernmental:	
Right-of-Way Maintenance	1,440
Parish Police Jury Grant	7,500
State Grant	7,831
On-Behalf Revenue	5,000
Fines and Forfeitures	118,392
Miscellaneous	<u>5,460</u>
TOTAL REVENUE	<u>205,879</u>

EXPENDITURES

General Government	76,224
Police	121,030
Highways and Streets	13,757
Capital Outlay	<u>9,351</u>
TOTAL EXPENDITURES	<u>220,362</u>

**DEFICIENCY OF REVENUES
UNDER EXPENDITURES**

(14,483)

OTHER FINANCING SOURCES

Sales of General Fixed Assets	<u>7,113</u>
TOTAL OTHER FINANCING SOURCES	<u>7,113</u>

**DEFICIENCY OF REVENUES AND OTHER
SOURCES OVER EXPENDITURES**

(7,370)

FUND BALANCE-BEGINNING

18,143

FUND BALANCE-ENDING

\$ 10,773

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, 2014

NET CHANGE IN FUND BALANCES-GOVERNMENTAL FUNDS **\$ (7,370)**

**Amounts reported for Governmental Activities in the
Statement of Activities are Different Because:**

Governmental Funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. To reconcile the difference in accounting between the fund accounting method and the government-wide method, an adjustment is necessary to recognize the capital outlays in the fund financial statements but not in the governmental-wide financials that were less than depreciation expense in the government-wide financials, but not in the fund financial statements. (11,708)

Governmental Funds do not report a gain or loss on sale of assets. However, the Statement of Activities recognizes gain or loss on sale of assets. An adjustment is needed for the net effect of the sale of assets recognized in the Statement of Activities. (4,473)

Governmental Funds report ad valorem taxes as revenue when collected or available to fund current period expenses. Revenue in the statement of activities is recognized when the taxes become due. An adjustment is required for ad valorem taxes that do not provide current resources:

Accrued revenue for ad valorem taxes that were not received within sixty days of year end, net of amounts received for the previous year not recognized as revenue in that year due to non-collection within sixty days of year end. _____ (59)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (23,610)**

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 2,414
Accounts Receivable, net	9,152
Interest Receivable	7
Prepaid Insurance	<u>2,753</u>
TOTAL CURRENT ASSETS	<u>14,326</u>
NONCURRENT ASSETS:	
Restricted Assets	
Restricted Cash	101,984
Restricted Certificate of Deposit	<u>5,000</u>
Total Restricted Assets	<u>106,984</u>
Capital Assets:	
Land	20,127
Buildings	1,955
Equipment	58,810
Water Distribution System	919,986
Sewer Collection System	1,340,343
Less: Accumulated Depreciation	(1,006,735)
Construction in Progress	<u>123,965</u>
Capital Assets, net	<u>1,458,451</u>
TOTAL NONCURRENT ASSETS	<u>1,565,435</u>
TOTAL ASSETS	<u>1,579,761</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	17,169
Contracts Payable	77,288
Retainage Payable	29,938
Accrued Expenses	1,314
Due to General Fund	12,209
Accrued Interest Payable	487
Current Maturities of Long-Term Debt	<u>18,045</u>
TOTAL CURRENT LIABILITIES	<u>156,450</u>
NONCURRENT LIABILITIES:	
Customer Deposits	19,263
Long-Term Debt	<u>279,955</u>
TOTAL NONCURRENT LIABILITIES	<u>299,218</u>
TOTAL LIABILITIES	<u>455,668</u>
NET POSITION	
Invested in Capital Assets	1,160,451
Unrestricted	<u>(36,358)</u>
TOTAL NET POSITION	<u>\$ 1,124,093</u>

See accompanying notes to financial statements.

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Water and Sewer Enterprise Fund</u>
OPERATING REVENUES	
Water Sales	\$ 68,355
Sewer Sales	27,794
Delinquent Fees	3,287
Connecting and Reconnecting Fees	2,150
Miscellaneous	<u>307</u>
TOTAL OPERATING REVENUES	<u>101,893</u>
 OPERATING EXPENSES	
Depreciation	45,952
Advertising	1,215
Professional Fees	2,668
Equipment Maintenance and Repairs	2,349
Equipment Operating Expense	636
Insurance	8,637
Legal and Accounting	13,587
Miscellaneous	3,827
Office Supplies	1,394
Outside Services	6,824
Safe Water Administration Fee	518
Salaries	46,417
System Repair and Maintenance	257,753
System Supplies and Expense	4,761
Taxes-Payroll	3,633
Telephone and Utilities	<u>6,927</u>
TOTAL OPERATING EXPENSES	<u>407,098</u>
OPERATING LOSS	(305,205)
 NON-OPERATING REVENUES	
Interest Income	33
Interest Expense	<u>(487)</u>
TOTAL NON-OPERATING REVENUES	<u>(454)</u>
LOSS BEFORE CONTRIBUTIONS	(305,659)
CAPITAL CONTRIBUTIONS - SEWER IMPROVEMENTS	<u>45,438</u>
CHANGE IN NET POSITION	(260,221)
TOTAL NET POSITION - BEGINNING	<u>1,384,314</u>
TOTAL NET POSITION - ENDING	<u>\$ 1,124,093</u>

See accompanying notes to financial statements.

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers and Users	\$ 101,711
Cash Payments for Goods and Services	(308,473)
Cash Payments for Salaries and Wages	<u>(46,729)</u>
NET USED PROVIDED BY OPERATING ACTIVITIES	<u>(253,491)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Transfers to General Fund	11,875
Proceeds from Revenue Bonds	<u>230,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>241,875</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Proceeds from Capital Grants	45,438
Proceeds from Revenue Bonds	68,000
Construction Costs	<u>(16,740)</u>
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	<u>96,698</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>33</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>33</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	85,115
CASH AT BEGINNING OF YEAR	<u>19,283</u>
CASH AT END OF YEAR	<u>\$ 104,398</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (305,205)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities--	
Depreciation	45,952
(Increase) Decrease in Accounts Receivable	(145)
(Increase) Decrease in Prepaid Insurance	(8)
Increase (Decrease) in Accounts Payable	6,859
Increase (Decrease) in Accrued Payroll	(312)
Increase (Decrease) in Accrued Expenses	(594)
Increase (Decrease) in Customers' Deposits	<u>(38)</u>
Total Adjustments	<u>51,714</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (253,491)</u>
CASH PER STATEMENT OF NET POSITION:	
Current Cash	\$ 2,414
Restricted Cash	<u>101,984</u>
TOTAL CASH AT END OF YEAR	<u>\$ 104,398</u>

See accompanying notes to financial statements.

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 175 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 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.

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements--Fund Financial Statements

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

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Modified Accrual -- The governmental funds 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, prepared an operating budget, on a basis consistent with generally accepted accounting principles, on its general fund for the year ended September 30, 2014, as required by Louisiana law. The proposed budget was published in the official journal and made available for public inspection. A public hearing for the proposed budget was held on December 2, 2013, and the budgeted was adopted by the mayor and board of aldermen. Budgetary amounts were monitored by management, but no amendments were made. Appropriations lapse at year-end and must be re-appropriated for the following year to be expended.

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.

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

Restricted assets represents 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.

H. Compensated Absences

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

I. Use of Estimates

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

J. Interfund Receivables and Payables

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund 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 interfund 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."

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Equity Classifications (continued)

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 purposed for which resources can be used:

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

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

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

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

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

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

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.

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Receivables (continued)

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 2013 Ad Valorem Taxes, one rate of tax was levied on property within the corporate limits, as follows:

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

For the year ended September 30, 2014, taxes of \$6,260 were levied on property. Taxes receivable at September 30, 2014 consisted of the following:

Taxes Receivable	\$ 129
Allowance for Uncollectible Taxes	<u>0</u>
Net Ad Valorem Taxes Receivable	<u>\$ 129</u>

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

Longleaf Estates	\$ 579
Hill Oil, Co.	201
Atmos Energy Louisiana	<u>175</u>
Total	<u>\$ 955</u>

By special election, duly called and duly held, on July 11, 1981, the qualified electors of the Village of North Hodge authorized a one cent sales 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.

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Interfund Transfers

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

Q. Prepaid Insurance

Payments made to insurance companies for insurance coverage that will benefit periods beyond September 30, 2014, are recorded as prepaid items in the asset section of the fund financial statements balance sheet.

R. Defining Operating Revenues and Expenses

The Village's proprietary funds distinguish between operating and nonoperating 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 nonoperating.

NOTE 2 - CASH

At September 30, 2014, the Village has cash and restricted cash (book balances) totaling \$105,259 and a certificate of deposit (book balance) of \$5,000, as follows:

	Cash	Certificate of Deposit
Cash on Hand	\$ 200	\$ 0
Demand Deposits	85,756	0
Time Deposit	19,303	5,000
Total	\$ 105,259	\$ 5,000

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, 2014, the Village has \$111,616 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

Interfund receivables and payables are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 12,209	\$ 0
Utility Fund	0	12,209
Totals	\$ 12,209	\$ 12,209

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of customer billings for water and sewer usage. There were thirty-five customer accounts totaling \$3,242 with a past due balance of \$1,694 at September 30, 2014; all of these accounts were active at year end. Accounts receivable, including the allowance for uncollectible accounts at September 30, 2014, was as follows:

Water Sales and Sewer Charges Receivable	\$ 9,152
Less: Allowance for Doubtful Accounts	<u>0</u>
Net Accounts Receivable	<u>\$ 9,152</u>

NOTE 5 - RESTRICTED ASSETS

Restricted assets for the proprietary fund were applicable to the following at September 30, 2014:

Customers' Deposits	\$ 16,989
Utility Emergency Repairs and Improvements	<u>84,995</u>
Total	<u>\$ 101,984</u>

NOTE 6 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2014, for the Village is as follows:

	Beginning Balance <u>10/01/13</u>	Additions	Deletions	Ending Balance <u>09/30/14</u>
Government Activities:				
Capital Assets				
Land	\$ 2,775	\$ 0	\$ 0	\$ 2,775
Buildings	17,870	2,571	0	20,441
Improvements	11,895	0	0	11,895
Streets	221,007	0	0	221,007
Equipment	<u>91,783</u>	<u>6,780</u>	<u>4,779</u>	<u>93,784</u>
Total Capital Assets	<u>345,330</u>	<u>9,351</u>	<u>4,779</u>	<u>349,902</u>
Less Accumulated Depreciation				
Buildings	15,526	195	0	15,721
Improvements	549	638	0	1,187
Streets	45,121	11,050	0	56,171
Equipment	<u>55,810</u>	<u>9,176</u>	<u>306</u>	<u>64,680</u>
Total Accumulated Depreciation	<u>117,006</u>	<u>21,059</u>	<u>306</u>	<u>137,759</u>
Governmental Capital Assets, Net	<u>\$ 228,324</u>	<u>\$ (11,708)</u>	<u>\$ 4,473</u>	<u>\$ 212,143</u>

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - CAPITAL ASSETS (continued)

	Beginning Balance <u>10/01/13</u>	Additions	Deletions	Ending Balance <u>09/30/14</u>
Business-Type Activities:				
Capital Assets				
Land	\$ 20,127	\$ 0	\$ 0	\$ 20,127
Buildings	1,955	0	0	1,955
Machinery and Equipment	58,809	0	0	58,809
Water and Sewer Systems	2,260,330	0	0	2,260,330
Construction in Progress	<u>0</u>	<u>123,965</u>	<u>0</u>	<u>123,965</u>
Total	<u>2,341,221</u>	<u>123,965</u>	<u>0</u>	<u>2,465,186</u>
Less Accumulated Depreciation for:				
Buildings	1,955	0	0	1,955
Machinery and Equipment	55,475	188	0	55,663
Water and Sewer Systems	<u>903,353</u>	<u>45,764</u>	<u>0</u>	<u>949,117</u>
Total Accumulated Depreciation	<u>960,783</u>	<u>45,952</u>	<u>0</u>	<u>1,006,735</u>
Business-Type Capital Assets, Net	<u>\$ 1,380,438</u>	<u>\$ 78,013</u>	<u>\$ 0</u>	<u>\$ 1,458,451</u>

Depreciation expense of \$21,059 for the year ended September 30, 2014, was charged to the following governmental functions:

General Government	\$ 1,378
Police	4,069
Highways and Streets	<u>15,612</u>
Total Governmental Depreciation Expense	<u>\$ 21,059</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt activity of the Village of North Hodge for the period indicated:

	Bonds Payable
Balance at October 1, 2013	\$ 0
Bond Proceeds	298,000
Less: Current Maturities	<u>(18,045)</u>
Long-Term Debt at September 30, 2014	<u>\$ 279,955</u>

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.

	\$ 298,000
Less: Current Maturities	<u>(18,045)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 279,955</u>

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 - LONG-TERM DEBT (continued)

Additional bond proceeds will be disbursed after year ending September 30, 2014. The annual debt service requirements to maturity to all issued debt outstanding as of September 30, 2014, is as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 18,045	\$ 14,667
2016	18,959	13,753
2017	19,983	12,729
2018	21,034	11,678
2019	22,172	10,540
2020-2024	121,805	33,599
2025-2029	<u>76,002</u>	<u>9,358</u>
Totals	<u>\$ 298,000</u>	<u>\$ 106,324</u>

Beginning in the next year, certain assets of the Village of North Hodge will be restricted for debt service and repairs and maintenance of the utility system according to the bond covenant.

NOTE 8 - COMPENSATION PAID THE ALDERMEN

The amount of compensation paid each board member for the year ended September 30, 2014, is as follows:

Eric Hinton	\$ 3,600
Derita Wigley	3,600
Douglas Woods	<u>3,600</u>
Total	<u>\$ 10,800</u>

NOTE 9 - ON-BEHALF PAYMENTS

The assistant police chief of the Village of North Hodge received a supplemental salary of \$5,000 from the State of Louisiana. There were no fringe benefits paid on this supplemental salary.

NOTE 10 - COMMITMENTS

As of September 30, 2014, the Village of North Hodge had one construction project. This project is a business-type activity endeavor for emergency sewer repairs and improvements and is financed primarily with a Louisiana Community Development Block Grant and bond proceeds. All remaining commitments are to be paid with grant and bond funds.

	<u>Charges Incurred</u>	<u>Remaining Commitment</u>
Schuler Consulting Company	\$ 32,190	\$ 26,490
GNF Management Co.	18,400	30,400
TGS Contractors	<u>299,375</u>	<u>199,500</u>
Totals	<u>\$ 349,965</u>	<u>\$ 256,390</u>

VILLAGE OF NORTH HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 11 - SUBSEQUENT EVENTS

The Louisiana Legislative Auditor's Office conducted an investigative audit and issued a report dated April 8, 2015, as a result of their limited review of the financial records of the Village of North Hodge. A summary of the findings from this investigative audit are included in this report. The report has been made available to the public on the Louisiana Legislative Auditor's website. Copies have also been delivered by the Legislative Auditor to the 2nd Judicial District Attorney.

As a result of non-compliance with the state audit law by the Village of North Hodge, the State of Louisiana began withholding state funds in April, 2015. This includes reimbursement requests for the emergency sewer repairs and improvements grant in the amount of \$61,375 which are expected to be received from the state once the Village has complied with the state audit law.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF NORTH HODGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
--BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts	Actual Amounts Budgetary Basis	Variance with Budget Favorable (Unfavorable)
REVENUES			
Taxes:			
Sales	\$ 8,000	\$ 14,512	\$ 6,512
Franchise	11,000	11,085	85
Ad Valorem	6,900	6,185	(715)
Electronic Video Bingo	19,000	23,849	4,849
Licenses and Permits	6,000	4,616	(1,384)
Interest	0	9	9
Intergovernmental:			
Right-of-Way Maintenance	0	1,440	1,440
Street Maintenance Grant	0	7,500	7,500
State Grants	0	7,831	7,831
On-Behalf Revenue	0	5,000	5,000
Fines and Forfeitures	70,000	118,392	48,392
Miscellaneous	<u>725</u>	<u>5,460</u>	<u>4,735</u>
TOTAL REVENUE	<u>121,625</u>	<u>205,879</u>	<u>84,254</u>
EXPENDITURES			
General Government	49,000	76,224	(27,224)
Police	61,400	121,030	(59,630)
Highways and Streets	8,250	13,757	(5,507)
Sanitation	0	0	0
Capital Outlay	<u>0</u>	<u>9,351</u>	<u>(9,351)</u>
TOTAL EXPENDITURES	<u>118,650</u>	<u>220,362</u>	<u>(101,712)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,975	(14,483)	(17,458)
OTHER FINANCING SOURCES			
Sale of General Fixed Assets	<u>0</u>	<u>7,113</u>	<u>7,113</u>
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>7,113</u>	<u>7,113</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	2,975	(7,370)	(10,345)
FUND BALANCE-BEGINNING	<u>2,975</u>	<u>18,143</u>	<u>15,168</u>
FUND BALANCE-ENDING	<u>\$ 5,950</u>	<u>\$ 10,773</u>	<u>\$ 4,823</u>

OTHER REPORTS AND SCHEDULES

DON M. MCGEHEE
(A Professional Accounting Corporation)

P.O. Box 1344
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Ruston, Louisiana 71273-1344

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Kathy Robertson, Mayor
and Board of Aldermen
Village of North Hodge
P.O. Box 520
Hodge, Louisiana 71247

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 the Village of North Hodge, Louisiana, as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued my report thereon dated August 31, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of North Hodge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of North Hodge'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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

I consider the deficiency described in the accompanying schedule of findings and questioned costs as #2014-1 and #2014-4 to each be a material weakness.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as #2014-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of North Hodge's financial statements are free of 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 #2014-3, #2014-5, #2014-6, #2014-7, #2014-8, and #2014-9.

Village of North Hodge's Response to Findings

The Village of North Hodge's response to the findings identified in my audit is described in the accompanying schedule of management's corrective action plan. The Village of North Hodge's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Don M. McGehee
Certified Public Accountant
August 31, 2015

VILLAGE OF NORTH HODGE, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

I have audited the financial statements of the Village of North Hodge as of and for the year ended September 30, 2014, and have issued my report thereon dated August 31, 2015. 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, 2014 resulted in a qualified opinion. The following is a summary of my audit observations on internal control, tests of compliance, and findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*:

SECTION I SUMMARY OF AUDITOR'S REPORTS

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiency Yes No

Compliance

Compliance Material to Financial Statements Yes No

SECTION II FINANCIAL STATEMENT FINDINGS

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

2014-2. Inadequate Controls over Preparation of the Financial Statements. Personnel of the Village of North Hodge do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles that are in conformity with generally accepted accounting principles.

2014-3. Unfavorable Budget Variance. The general fund of the Village of North Hodge had an unfavorable budget variance in excess of 5%.

2014-4. Supporting Documentation Not Available. Village employees were unable to find all supporting documentation for fines and forfeitures revenue and for water and sewer billings.

2014-5 Late Submission of Report. The financial statements were not filed within six months of year end with the Legislative Auditor.

2014-6. Adoption of Budget After Year End. The budget for the Village of North Hodge was not adopted until December 2, 2013.

SECTION III INVESTIGATIVE AUDIT FINDINGS

2014-7 Questionable Purchases. From April 17, 2013, to September 4, 2014, Village of North Hodge officials and employees purchased equipment, supplies, and other items totaling \$9,207 not necessary for Village operations.

2014-8 Village Employees Paid Excess Wages. From October 19, 2012, to August 22, 2014, former excess wages paid through unauthorized pay increases totaling \$6,722. In addition, former Village Clerk Patricia Tapp may have violated state law by holding incompatible offices (Village clerk and police officer).

2014-9 Questionable Travel Expenses. From January 2014 to July 2014, Village police department employees incurred travel expenses totaling \$998 for which there appears to be no public purpose.

VILLAGE OF NORTH HODGE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I AGREED-UPON PROCEDURES REPORT

2013-1. Unfavorable Budget Variance. The general fund had an unfavorable budget variance of 145% for expenditures.

Status: Unresolved. See Finding #2014-3.

2013-2. Unable to Determine if Payments Received Approval from Proper Authorities. I was unable to determine whether any of the six payments selected for testing received approval from the proper authorities.

Status: Unresolved. See Finding #2014-8. Legislative Auditor's Investigative audit report described payments made to Village employees which included unapproved pay raises.

2013-3. Agenda for One Meeting was Not Found and Date Posted not on one Agenda. The Village is required to post the agenda of each meeting at least twenty-four hours prior to the meeting. I was unable to find a copy of the agenda for one meeting. There was also one agenda that did not indicate when it was posted.

Status: Partially resolved. Most of these records were missing, but the ones found indicated the date posted by the clerk.

SECTION II FINANCIAL STATEMENT FINDINGS

2013-4. Late Submission of Report. The Village did not submit their reviewed annual financial statements to the Legislative Auditor within six months of year end.

Status: Unresolved. See Finding #2014-5.

VILLAGE OF NORTH HODGE, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I FINANCIAL STATEMENT FINDINGS

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

Response: The Village of North Hodge has an accounting workload that can be easily managed by a few employees. The hiring of additional employees to provide enhanced internal control does not appear to be the best use of resources.

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

Response: The Village of North Hodge has employees with the ability to record cash receipts and disbursements, prepare adjusting entries, reconcile bank statements, and prepare draft financial statements. However, there are times 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 all technical assistance available.

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

Response: The newly elected mayor, Kathy Robertson, will prepare budget amendments for 2015 when the clerk notifies her that amendments are needed. Then she will present the proposed amendments to the board of aldermen for approval.

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

Response: The Clerk, Shannon Ponder, will maintain the appropriate accounting records beginning in 2015.

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

Response: The Village is planning to make payments on the 2014 bill so that it will be paid prior to the time that they need to engage for the 2015 financial report.

VILLAGE OF NORTH HODGE, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014-6. Adoption of Budget After Year End. The Village of North Hodge did not adopt the budget for the year ended September 30, 2014, until December 2, 2013. State law requires the Village to take all necessary actions to adopt a budget prior to the end of the fiscal year preceding the beginning of the effective budget year. I recommend the Mayor begin preparing the Village's budget for the 2016 year in a timely manner, so that it can be adopted prior to September 30, 2015.

Response: The newly elected Mayor plans to prepare the budget for the year ending September 30, 2016 in a timely manner to allow all necessary actions to adopt the budget prior to September 30, 2015.

SECTION II INVESTIGATIVE AUDIT FINDINGS

2014-6 Questionable Purchases. From April 17, 2013, to September 4, 2014, Village of North Hodge officials and employees, including former Mayor Geraldine Causey and Former Assistant Police Chief Greg Coleman, purchased equipment, supplies, and other items totaling \$9,207 not necessary for Village operations. Purchases which appear to benefit individuals and do not have a public purpose may violate the Louisiana Constitution and state law.

Response: The newly elected mayor, Kathy Robertson, is implementing new policies to prevent purchases being made that are not necessary for Village operations beginning in 2015.

2014-7 Village Employees Paid Excess Wages. From October 19, 2012, to August 22, 2014, former Village Clerk Patricia Tapp appears to have paid herself excess wages totaling \$5,577. These excess wages were paid through unauthorized pay increases for her positions as the Village clerk and as a police officer. Our audit also revealed that former (and current assistant) Village Clerk Joanie Cannady received excess wages totaling \$1,145. By receiving wages they were not authorized to receive, Ms. Tapp and Ms. Cannady may have violated the Louisiana Constitution and state law. In addition, Ms. Tapp may have violated state law by holding incompatible offices (Village clerk and police officer).

Response: The newly elected mayor, Kathy Robertson, is implementing new policies to prevent unauthorized wage rates from being paid to employees beginning in 2015.

2014-8. Questionable Travel Expenses. From January 2014 to July 2014, Village police department employees incurred travel expenses totaling \$998 for which there appears to be no public purpose.

Response: The newly elected mayor, Kathy Robertson, is implementing new policies to prevent unauthorized travel expenses from being paid for which there is no public purpose beginning in 2015.

VILLAGE OF NORTH HODGE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE MAYOR
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Mayor, Geraldine Causey:

<u>Purpose</u>	<u>Amount</u>
Salaries	\$ 9,000
Mileage Reimbursements	2,085
Unvouchered Expenses	307