

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

As of and For the Year Ended June 30, 2013
With Supplemental Information Schedules

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

As of and For the Year Ended June 30, 2013
With Supplemental Information Schedules

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Kenneth D. Folden & Co.

Kenneth D. Folden, CPA
Members
Society of Louisiana
Certified Public Accountants
email: kfolden@foldencpa.com

Certified Public Accountants
302 Eighth Street
Jonesboro, LA 71251
(318) 259-7316
FAX (318) 259-7315

Ted W. Sanderlin, CPA
Members
American Institute of
Certified Public Accountants
email: tsanderlin@foldencpa.com

Independent Auditor's Report

Village of Hodge
Hodge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Hodge, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village of Hodge's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Village of Hodge, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-11 and page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of the Village of Hodge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Hodge's internal control over financial reporting and compliance.

Kenneth D. Felder & Co., CPAs

Jonesboro, Louisiana
October 31, 2013

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2013

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, 2013. 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 are comprised 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 position* presents information on all of the Village of Hodge assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 14 - 15 of this report.

Fund financial statements. The fund financial statements 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 left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. 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 one individual governmental fund. Information as of and for the year ended June 30, 2013, 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, which is considered to be a major fund.

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 17 - 20 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 21 - 23 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 25 - 37 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, 2013 by \$2,446,404.
- The Village's net position increased by \$118,514. The net position of the governmental activities decreased by \$57,283, and the net position of the business-type activities increased by \$175,797.
- At June 30, 2013, the Village's governmental funds reported total ending fund balances of \$620,833, a decrease of \$17,084, from June 30, 2012. The entire balance is available for spending at the Village's discretion (unassigned fund balance).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 676,712	\$ 696,582	\$ 260,558	\$ 219,927	\$ 937,270	\$ 916,509
Capital assets, net	809,921	850,120	804,826	668,825	1,614,747	1,518,945
Total Assets	1,486,633	1,546,702	1,065,384	888,752	2,552,017	2,435,454
Current and other liabilities	55,879	58,665	49,733	48,899	105,612	107,564
Long-term liabilities	-	-	-	-	-	-
Total Liabilities	55,879	58,665	49,733	48,899	105,612	107,564
Invested in capital assets, net of related debt	809,921	850,120	804,826	668,825	1,614,747	1,518,945
Restricted for debt service	-	-	-	-	-	-
Unrestricted	620,833	637,917	210,824	171,028	831,657	808,945
Total Net Position	\$ 1,430,754	\$ 1,488,037	\$ 1,015,650	\$ 839,853	\$ 2,446,404	\$ 2,327,890

As noted earlier, net position 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 \$2,446,404. A significant portion (62%) of the Village of Hodge's net position reflects its investments in capital assets (e.g., land, building and improvements, and equipment, 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.

Summary of Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues:						
Charges for services	\$ 98,615	\$ 91,744	\$ 49,340	\$ 50,377	\$ 147,955	\$ 142,121
General Revenues:						
Taxes:						
Ad valorem	123,978	127,737	-	-	123,978	127,737
Sales taxes	449,872	669,205	-	-	449,872	669,205
Franchise tax	2,439	2,194	-	-	2,439	2,194
Other taxes	-	-	-	-	-	-
Licenses and permits	20,719	23,295	-	-	20,719	23,295
Fines, forfeitures and court costs	33,050	47,142	-	-	33,050	47,142
Intergovernmental	22,229	18,746	-	-	22,229	18,746
Interest earnings	458	453	215	245	673	698
Grants	23,020	2,447	22,870	11,655	45,890	14,102
Miscellaneous	8,931	5,567	128,495	120	137,426	5,687
Total revenues	783,311	988,530	200,920	62,397	984,231	1,050,927
EXPENDITURES						
Current:						
General government	151,337	156,184	-	-	151,337	156,184
Public safety	316,282	327,695	-	-	316,282	327,695
Sanitation	6,530	12,920	-	-	6,530	12,920
Highways and streets	303,213	300,626	-	-	303,213	300,626
Service to others	24,009	21,276	-	-	24,009	21,276
Utility	-	-	64,346	66,001	64,346	66,001
Total expenditures	801,371	818,701	64,346	66,001	865,717	884,702
Excess (Deficiency) of revenues over expenses	(18,060)	169,829	136,574	(3,604)	118,514	166,225
Capital contributions	-	-	-	-	-	-
Operating transfers	(39,223)	(36,682)	39,223	36,682	-	-
Change in Net Position	(57,283)	133,147	175,797	33,078	118,514	166,225
Net Position, beginning	1,488,037	1,354,890	839,851	806,773	2,327,888	2,161,663
Net Position, ending	\$ 1,430,754	\$ 1,488,037	\$ 1,015,648	\$ 839,851	\$ 2,446,402	\$ 2,327,888

Governmental activities. The most significant revenues of the governmental activities are sales taxes (58%), ad valorem taxes (16%), charges for services (13%), and fines and forfeitures (4%).

Public safety expenses are the most significant (39%) of all governmental activities expenses, followed by highways and streets expenses (38%) and general government expense (19%) Depreciation expense is included in these amounts.

Governmental activities revenues decreased by \$205,219 in the current year as compared to the prior year. The decrease was primarily attributable to a decrease in sales tax of \$219,333, offset by an increase in grant revenue of \$20,573.

Governmental activities expenses decreased by \$17,330 in the current year as compared to the prior year. The decrease was primarily attributable to a decrease in public safety expense of \$11,413, a decrease in sanitation expense of \$6,390, and a decrease in general government expense of \$4,847, offset by an increase in service to others expense of \$2,733 and an increase in highways and streets expense of \$2,587.

Business-type activities. The operations of the business-type activities increased the Village's net position by \$175,797. The business-type revenues exceeded the business-type expenses by \$136,574.

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, unassigned 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, 2013, the combined governmental fund balances of \$620,833 reflect a decrease of \$17,084 from June 30, 2012. The entire fund balance is unassigned, 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 position increased by \$175,797 in the current year. The increase was primarily due to a revenue of \$127,130 from RockTenn for painting the water tower.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund final actual revenues exceeded budgeted revenue by \$22,241, which resulted primarily from an increase in garbage fees of \$34,115 and an increase in capital grant income of \$23,020. General Fund final budgeted expenses were less than actual expenses by \$86,978, due primarily to actual general government expense being lower than budgeted expense and actual capital outlay expense being lower than budgeted expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2013, the Village of Hodge's investment in capital assets for its governmental activities totals \$809,921 (net of accumulated depreciation), and its investment in capital assets for its business-type activities totals \$804,826 (net of accumulated depreciation). This investment includes land, buildings and improvements, furniture, and equipment.

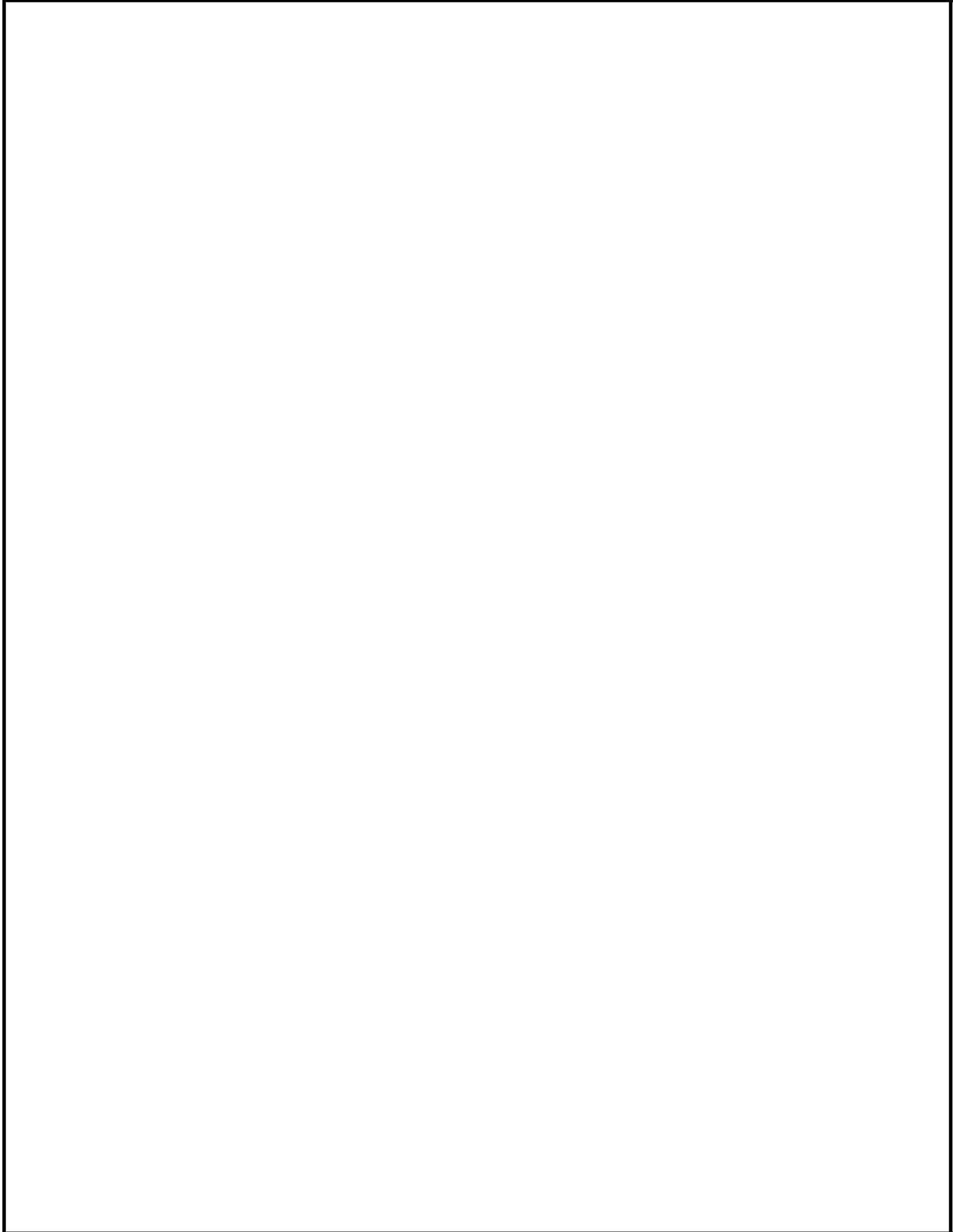
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

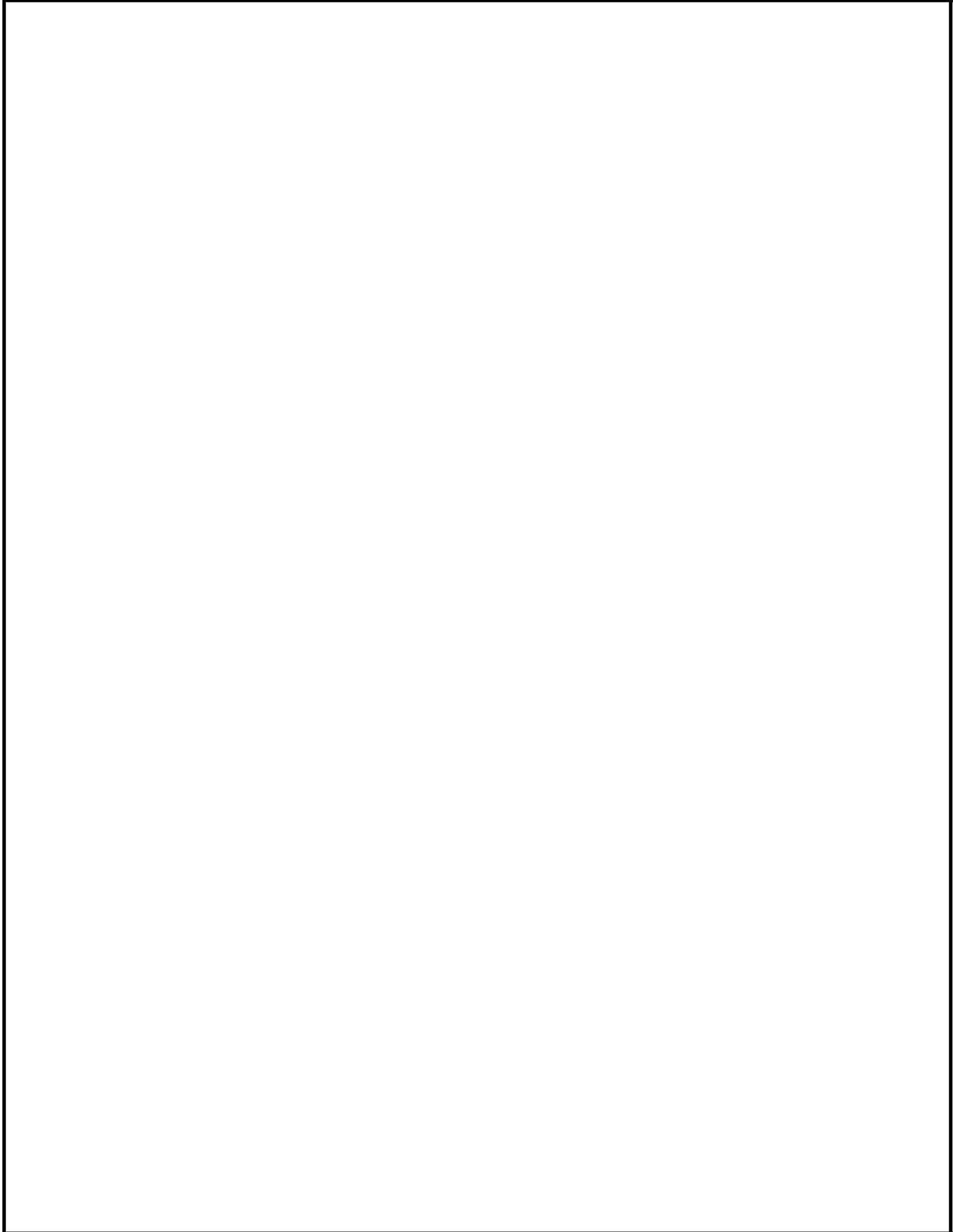
The fiscal year 2013-2014 budget is forecast to provide \$751,800 in revenues and \$245,350 in estimated surplus to fund costs of \$997,150.

Capital outlay is budgeted in the amount of \$103,000.

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 Zip Schmidt, Village Clerk, 1711 Main Street, Hodge, Louisiana 71247.





Village of Hodge
Hodge, Louisiana

Statement of Net Position
As of June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 526,936	\$ 206,393	\$ 733,329
Accounts Receivable	149,776	4,185	153,961
Due from HUOC	-	282	282
Cash and equivalents-restricted	-	49,698	49,698
Capital assets (net of acc depr)	809,921	804,826	1,614,747
TOTAL ASSETS	<u>\$ 1,486,633</u>	<u>\$ 1,065,384</u>	<u>\$ 2,552,017</u>
LIABILITIES			
Accounts, salaries, and other payables	\$ 49,683	\$ 1,437	\$ 51,120
Accrued liabilities	6,196	-	6,196
Current liabilities payable from restricted assets - customer security deposits	-	48,296	48,296
TOTAL LIABILITIES	<u>55,879</u>	<u>49,733</u>	<u>105,612</u>
NET POSITION			
Invested in capital assets, net of related debt	809,921	804,826	1,614,747
Unrestricted	620,833	210,824	831,657
TOTAL NET POSITION	<u>\$ 1,430,754</u>	<u>\$ 1,015,650</u>	<u>\$ 2,446,405</u>

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

Village of Hodge
Hodge, Louisiana

Statement of Activities
For the Year Ended June 30, 2013

EXPENSES	MAJOR FUNDS			Net (Expense) Revenue and Changes in Net Position		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 151,337	\$ -	\$ -	\$ -	\$ (151,337)	\$ (151,337)
Fire	24,371	-	-	15,520	(8,851)	(8,851)
Police	291,911	33,050	-	-	(258,861)	(258,861)
Sanitation	6,530	34,115	-	-	27,585	27,585
Highways and Streets	303,213	947	7,500	-	(294,766)	(294,766)
Services to Related Party	24,009	63,553	-	-	39,545	39,545
Total governmental activities	<u>801,370</u>	<u>131,665</u>	<u>7,500</u>	<u>15,520</u>	<u>(646,685)</u>	<u>(646,685)</u>
Business-type activities:						
Water and Sewer	64,346	50,705	-	22,870	-	9,229
Total primary government	<u>\$ 865,716</u>	<u>\$ 182,370</u>	<u>\$ 7,500</u>	<u>\$ 38,390</u>	<u>(646,685)</u>	<u>9,229</u>
GENERAL REVENUES						
Taxes:						
Property taxes, levied for general purposes					123,978	123,978
Sales taxes					449,872	449,872
Franchise					2,439	2,439
License					20,719	20,719
Investment earnings					458	673
Other revenue					31,160	158,290
Operating transfers					(39,223)	-
Total general revenues and transfers					<u>589,403</u>	<u>755,971</u>
Change in net positon					(57,282)	118,515
Net position - June 30, 2012					1,488,037	2,327,890
Net position - June 30, 2013					<u>\$ 1,430,754</u>	<u>\$ 2,446,405</u>

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

FUND FINANCIAL STATEMENTS

Village of Hodge
Hodge, Louisiana

Balance Sheet - Governmental Funds
As of June 30, 2013

	<u>General Fund</u>
ASSETS	
Cash and equivalents	\$ 526,936
Receivables, net	<u>149,776</u>
TOTAL ASSETS	<u><u>\$ 676,712</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payables	\$ 49,683
Accrued expenses	<u>6,196</u>
TOTAL LIABILITIES	<u>55,879</u>
 Fund Balances:	
Committed for LGAP grant	-
Unassigned	<u>620,833</u>
TOTAL FUND BALANCE	<u>620,833</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 676,712</u></u>

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

Village of Hodge
Hodge, LouisianaReconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
For the Year Ended June 30, 2013

Total Fund Balances at June 30, 2013 - Governmental Funds	\$ 620,833
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.	<u>809,921</u>
Net Position at June 30, 2013	<u>\$ 1,430,754</u>

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

Village of Hodge
Hodge, Louisiana

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental
For the Year Ended June 30, 2013

	<u>General Fund</u>
REVENUES	
Taxes:	
Ad Valorem	\$ 123,978
Sales and Use	449,872
Franchise Tax	2,439
Licenses and permits	20,719
Intergovernmental:	
Right-of-Way Maintenance	1,305
Fire Insurance Rebate	3,041
Police Supplemental Pay	17,483
Witness Fee	400
Fines and forfeitures	33,050
Charges for services:	
Connection Fees	847
Garbage Fees	34,115
Services to Related Party	63,553
Other Revenues:	
Rent	3,072
Miscellaneous	5,959
TOTAL REVENUES	<u>759,833</u>
EXPENDITURES	
Current:	
General government	146,230
Police	276,887
Fire	23,036
Streets	245,630
Sanitation	6,368
Services to Related Party	24,009
Capital outlay	39,013
TOTAL EXPENDITURES	<u>761,172</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENDITURES	<u>(1,338)</u>
OTHER FINANCING SOURCES (USES)	
Interest earnings	458
Operating transfers out	(39,223)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(38,765)</u>
Net Changes in Fund Balances	(40,104)
Fund Balances - June 30, 2012	<u>637,916</u>
Fund Balances - June 30, 2013	<u>\$ 597,813</u>

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

Village of Hodge
Hodge, LouisianaReconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013

Total net change in fund balances - governmental funds (Statement E)	\$ (17,084)
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Amounts reported for governmental activities in the Statement
of Activities are different because:

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

<u>(40,199)</u>

Change in net position of governmental activities (Statement B)	<u><u>\$ (57,282)</u></u>
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Village of Hodge
Village of Hodge, Louisiana

Statement of Net Position - Proprietary Fund
As of June 30, 2013

	Water & Sewer Fund
ASSETS	
Current Assets:	
Cash and equivalents	\$ 206,393
Receivables (net of allowances for uncollectibles)	4,185
Due from HUOC	282
Total Current Assets	210,859
Noncurrent Assets:	
Restricted Assets	
Cash - Customers Deposits	49,698
Capital Assets - Net of Accumulated Depreciation	804,826
Total Non-Current Assets	854,524
TOTAL ASSETS	1,065,384
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1,437
Total Current Liabilities	1,437
Current Liabilities payable from restricted assets - tenant security deposits	48,296
Non-Current Liabilities:	
Total Non-Current Liabilities	-
TOTAL LIABILITIES	49,733
NET POSITION	
Invested in capital assets, net of related debt	804,826
Unrestricted	210,824
TOTAL NET POSITION	\$ 1,015,650

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

Village of Hodge
Hodge, Louisiana

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

	<u>Water & Sewer Fund</u>
OPERATING REVENUES	
Water sales	\$ 27,897
Sewer fees	<u>21,443</u>
Total operating revenues	<u>49,340</u>
OPERATING EXPENDITURES	
Depreciation	37,741
Insurance	5,132
Miscellaneous	192
Operations and maintenance of system	15,988
Outside services	1,928
Payments to HUOC	2,550
Safe drinking water fee	<u>815</u>
Total operating expenses	<u>64,346</u>
OPERATING INCOME (LOSS)	<u>(15,006)</u>
NON-OPERATING REVENUES (EXPENDITURES)	
Interest earnings	215
State grant	<u>22,870</u>
Total non-operating revenues (expenditures)	<u>23,085</u>
Income (loss) before contributions and transfers	<u>8,079</u>
OTHER FINANCING SOURCES (USES)	
Miscellaneous	128,496
Operating transfers in	<u>39,223</u>
Net operating transfers	<u>167,719</u>
Change in Net Position	175,797
Total Net Position - June 30, 2012	<u>839,853</u>
Total Net Position - June 30, 2013	<u><u>\$ 1,015,650</u></u>

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

Village of Hodge
Hodge, Louisiana

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2013

	<u>Water & Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 50,599
Cash payments to suppliers for goods and services	(24,733)
Cash payments received from (paid to) HUOC	-
Net cash provided by (used for) operating activities	<u>25,867</u>
CASH FLOWS FROM NON-CAPITAL FINANCING	
State grant	22,870
Transfers from other funds	39,223
Net cash provided by (used for) noncapital financing activities	<u>62,093</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(173,742)
Grant receivable	127,130
Net cash provided by (used for) capital and related financing activities	<u>(46,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	215
Net cash provided by (used for) investing activities	<u>215</u>
Net increase (decrease) in cash and cash equivalents	41,563
Cash and Cash Equivalents - June 30, 2012	<u>214,528</u>
Cash and Cash Equivalents - June 30, 2013	<u>\$ 256,091</u>
RECONCILIATION OF OPERATING INCOME TO NET PROVIDED BY OPERATION ACTIVITIES	
Operating income (loss)	\$ (13,641)
Adjustments	
Depreciation	37,741
Net changes in assets and liabilities:	
Accounts receivable	(106)
Residents' security deposits	1,125
Accounts payable	797
Due to HUOC	(50)
Net cash provided by (used for) operating activities	<u>\$ 25,867</u>

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

**NOTES TO THE
FINANCIAL STATEMENTS**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

INTRODUCTION

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Village have been prepared in conformity with 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 Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a 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.

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

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

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

C. Government-Wide Financial Statements

The Village's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements present summaries of the governmental activities and the business-type activities for the Village. All of the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Fiduciary activities of the Village are not included in these statements.

D. Fund Financial Statements

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 resources which may be used to finance future period programs or operations of the Village. According to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance can be classified as non-spendable, restricted, committed, assigned, and unassigned. Non-spendable funds are typically noncash or prepaid items that are identified as a part of fund balance, but they are not available to be expended. Spendable items include restricted, committed, assigned, and unassigned funds. The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (Ordinances and Resolutions) of the government's highest level of decision-making authority (Board of Aldermen). Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Undesignated excess Fund Balances may be assigned by the Board of Aldermen for specific purposes through the budget process or agenda items. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. 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.

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.

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

are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

E. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole.

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, 2013 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).

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

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 and 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.

As in the GWFS, the proprietary funds use the accrual basis of accounting, where revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

F. Budgets

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

The 2012-2013 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 28, 2012, and the budget was adopted by the Mayor and Board of Aldermen. There were no amendments made to the budget.

G. 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.

H. Investments

Investments are limited by Louisiana Revised Statute 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.

I. Interfund Receivables and Payables

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

J. Inventories

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

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns in the GWFS, but are not report 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. The Village maintains a threshold level of \$1,000 or more for capitalizing capital assets. All capital assets, other than land, are depreciated using the straight-line method over the following 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.

L. 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.

M. Restricted Position

For government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

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 available restricted resources before consuming unrestricted resources. However, the Village reserves the right to selectively spend unrestricted resources first.

N. Fund Equity

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Village did not have any nonspendable funds for the year ended June 30, 2013.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Village did not have any restricted funds for the year ended June 30, 2013.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Village did not have any committed funds for the year ended June 30, 2013.

Assigned: This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board of Aldermen delegating this responsibility to the Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Village has no assigned funds for year ended June 30, 2013.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. All governmental funds of the Village are designated as unassigned.

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

O. 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.

P. Estimates

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

2. Ad Valorem Tax

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

Ad valorem taxes are levied on a calendar year basis and become delinquent on December 31. The Village bills and collects its own ad valorem taxes. For the 2012 ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

6.90 mills for the general maintenance of the Village

This millage was approved by the Board of Aldermen on July 3, 2012. This millage is the maximum millage that can be assessed without the approval of the voters of the Village.

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

RockTem	\$ 104,899
Hodge Bank and Trust	3,068
DeLage Landen Operational Services	1,770
Kansas City Southern Railroad	1,316
Gunderson	1,167
Total	<u>\$ 112,219</u>

3. Sales Tax

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

4. Cash and Certificates of Deposit

At June 30, 2013, the Village had cash and cash equivalents (book balances) totaling \$783,027 all of which was in demand deposit accounts.

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

At June 30, 2013, the Village had \$814,349 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 federal deposit insurance, and \$721,219 of pledged securities held by a custodial bank in the name of the fiscal agent bank. The deposits collateralized by the securities held in the custodial bank pledge account are not exposed to custodial credit risk.

5. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Village or its agent in the Village's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Village's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the Village's name

At June 30, 2013, the Village had no investments.

6. Receivables

The receivables of \$153,961 at June 30, 2013, are as follows:

	Fund		Total
	General	Enterprise	
Services	\$ 3,247	\$ 4,185	\$ 7,432
Employee	200	-	200
Franchise fees	599	-	599
Grants	15,520	-	15,520
HUOC	26,109	-	26,109
Parish government	10,541	-	10,541
State-DOTD	-	-	-
Sales taxes	92,612	-	92,612
Other	947	-	947
	<u>\$ 149,776</u>	<u>\$ 4,185</u>	<u>\$ 153,961</u>

7. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013, is as follows:

A. Capital Assets - Governmental Funds

	Balance, July			Balance, June
	1, 2012	Additions	Deletions	30, 2013
Capital assets not depreciated				
Land	\$ 59,291	\$ -	\$ -	\$ 59,291
Total capital assets not being depreciated	59,291	-	-	59,291
Capital Assets being Depreciated				
Buildings	246,783	-	-	246,783
Improvements other than buildings	917,140	-	-	917,140
Furniture	42,216	-	-	42,216
Equipment	74,945	21,942	-	96,887
Vehicles	576,745	17,071	-	593,816
Total Capital Assets being Depreciated	\$ 1,857,829	\$ 39,013	\$ -	\$ 1,896,842
Less Accumulated Depreciation				
Buildings	\$ 169,164	\$ 6,170	\$ -	\$ 175,334
Improvements other than buildings	306,087	43,208	-	349,295
Furniture	40,612	800	-	41,412
Equipment	59,259	5,443	-	64,702
Vehicles	491,878	23,591	-	515,469
Total Accumulated Depreciation	1,067,000	79,211	-	1,146,211
Capital Assets Net	\$ 790,829	\$ (40,199)	\$ -	\$ 750,631
Governmental Capital Assets - Net	\$ 850,120	\$ (40,199)	\$ -	\$ 809,921

Functional Allocation of Depreciation Expense

General Government	\$ 5,107
Fire	1,335
Police	15,024
Sanitation	162
Highways and Streets	57,583
Total	<u>\$ 79,211</u>

B. Capital Assets - Proprietary Funds

	Balance, July		Balance, June	
	1, 2012	Additions	Deletions	30, 2013
Capital Assets being Depreciated				
Water System	\$ 276,428	\$ 173,742	\$ -	\$ 450,170
Sewer System	623,952	-	-	623,952
Machinery and Equipment	57,277	-	-	57,277
Total Capital Assets being Depreciated	<u>\$ 957,657</u>	<u>\$ 173,742</u>	<u>\$ -</u>	<u>\$ 1,131,399</u>
Less Accumulated Depreciation				
Water System	\$ 117,336	\$ 10,848	\$ -	\$ 128,184
Sewer System	122,550	24,894	-	147,444
Machinery and Equipment	48,946	2,000	-	50,946
Total Accumulated Depreciation	<u>\$ 288,832</u>	<u>\$ 37,741</u>	<u>\$ -</u>	<u>\$ 326,573</u>
Business-Type Activities Capital Assets Net	<u>\$ 668,825</u>	<u>\$ 136,001</u>	<u>\$ -</u>	<u>\$ 804,826</u>

Depreciation expense was charged to functions as follows:

Business -type activities	
Water and Sewer	\$ 35,742
Machinery and Equipment	2,000
Total	<u>\$ 37,741</u>

8. Accounts Payable

Of the \$57,316 total accounts, salaries and other payables reported on the balance sheet, \$4,205 represents amounts payable to employees for salaries payable. The balance of \$53,111 is due to vendors for various operating services and materials and to taxing authorities for payroll tax withholdings.

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

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 his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

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 8.00% 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. The Village of Hodge contributions to the System under Plan B for the years ending June 30, 2013, 2012, and 2011 were \$4,869, \$5,444, and \$6,133, respectively, equal to the required contributions for each year.

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

Plan Description

All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. 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 Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411, or by visiting the System's website www.lampers.org.

Funding Policy

Plan members are required by state statute to contribute 10.00% of their annual covered salary and the Village of Hodge is required to contribute at an actuarially determined rate. The current rate is 31.00% of annual covered payroll. The contribution requirements of plan members and the Village of Hodge are established and may be amended by state statute. As provided by LA R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village of Hodge's contributions to the System for the years ending June 30, 2013, 2012, and 2011, were \$5,213, \$6,312, and \$379, respectively, equal to the required contributions for each year.

10. Related Party Transactions

The Mayor and the Mayor Pro-Tem serve on the Board of Directors of the Hodge Utility Operating Company (HUOC) along with six members appointed by RockTenn. HUOC operates and manages the water, sewerage, and electric generating facilities owned by the Village of Hodge Combined Utility System (another related party). HUOC is considered to be a related party, and during the year ended June 30, 2013, revenues for franchise taxes, in lieu of taxes, and fees for services rendered were received in the Village's General Fund from HUOC in the amount of \$63,553 and expenses paid from the Village's General Fund to HUOC were \$24,009. Expenses paid to HUOC for the Village's utilities were \$2,250.

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, 2013, the Village had remitted all monies due to HUOC.

11. Grants

The total cost of resurfacing the water system tower was \$165,312, with RockTenn reimbursing the Village \$127,130 for partial payment of the expenses. The Village of Hodge received \$22,870 from a Community Water Enrichment Fund (CWEF) grant for the partial payment of resurfacing the water system tower, and the Village was responsible for payments of \$15,312 to complete payment for the resurfacing. A Louisiana Local Government Assistant Program (LGAP) grant was received on July 1, 2013 for the purchase of a Ford F-150 truck. Lastly, the Jackson Parish Police Jury granted the Village \$7,500 for the improvement to transportation and road infrastructure in the Village. This amount was received on July 17, 2013 and is recorded as a receivable.

12. Risk Management and Economic Dependency

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

The Village is economically dependent upon RockTenn Company, which provides the majority of property tax and sales and use tax revenue for the Village. There were no receivables at June 30, 2013, due from RockTenn Company.

13. Litigation and Claims

At June 30, 2013, the Village was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance.

14. Impact of Recently Issued Accounting Principles

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011. The Village does not have SCAs; and therefore, the adoption of GASB 60 does not have any impact on the Village's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity

entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. Management has adopted the provisions of this statement for the year ended June 30, 2013.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements in this statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the Village's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011. The adoption of GASB 64 does not have any impact on the Village's current financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 revises the treatment of a variety of transactions previously reported as either assets or liabilities on the statement of financial position to classification as either deferred outflows of resources or deferred inflows of resources, as required by GASBS No. 63. The Statement also amends the requirements for the determination of major funds. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The adoption of GASB 64 does not have any impact on the Village's current financial statements.

15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 31, 2013, the date which the financial statements were available to be issued, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART II

Village of Hodge
Hodge, Louisiana

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	Budget - Original/Final	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Taxes			
Ad Valorem	\$ 125,000	\$ 123,978	\$ (1,022)
Sales and use	500,000	449,872	(50,128)
Franchise taxes	2,250	2,439	189
Licenses and permits	21,000	20,719	(281)
Intergovernmental			
Right-of-way maintenance	2,500	1,305	(1,195)
Fire insurance rebate	3,000	3,041	41
Police Supplemental Pay	13,000	17,483	4,483
Witness Fees	300	400	100
Fines and forfeitures	44,000	33,050	(10,951)
Charges for Services			
Connection Fees	-	847	847
Garbage Fees	-	34,115	34,115
Services to Related Party	45,000	63,553	18,553
Other Revenues			
Rent	-	3,072	3,072
Miscellaneous	2,500	5,959	3,459
TOTAL REVENUES	<u>758,550</u>	<u>759,833</u>	<u>1,283</u>
EXPENDITURES			
General government	221,350	146,230	75,120
Public safety			
Police	281,950	276,887	5,063
Fire	19,400	23,036	(3,636)
Streets	255,350	245,630	9,720
Sanitation	10,500	6,368	4,132
Services to Related Party	4,600	24,009	(19,409)
Capital outlay	55,000	39,013	15,987
TOTAL EXPENDITURES	<u>848,150</u>	<u>761,172</u>	<u>86,978</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENDITURES	<u>(89,600)</u>	<u>(1,338)</u>	<u>88,262</u>
OTHER FINANCING SOURCES (USES):			
Interest earnings	400	458	58
Operating transfers out	(60,000)	(39,223)	20,777
TOTAL OTHER FINANCING SOURCES (USES)	<u>(59,600)</u>	<u>(38,765)</u>	<u>20,835</u>
Net Changes in Fund Balances	<u>(149,200)</u>	<u>(40,104)</u>	<u>109,096</u>
Fund Balances - June 30, 2012	<u>637,916</u>	<u>637,916</u>	<u>-</u>
Fund Balances - June 30, 2013	<u>\$ 488,716</u>	<u>\$ 597,813</u>	<u>\$ 109,096</u>

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

Kenneth D. Folden & Co.

Kenneth D. Folden, CPA
Members
Society of Louisiana
Certified Public Accountants
email: kfolden@foldencpa.com

Certified Public Accountants
302 Eighth Street
Jonesboro, LA 71251
(318) 259-7316
FAX (318) 259-7315

Ted W. Sanderlin, CPA
Members
American Institute of
Certified Public Accountants
email: tsanderlin@foldencpa.com

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, 2013, and the related notes to the financial statements, which collectively comprise the Village of Hodge's basic financial statements and have issued our report thereon dated October 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2013-1 and 2013-2.

Compliance and Other Matters

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

Village of Hodge's Response to Findings

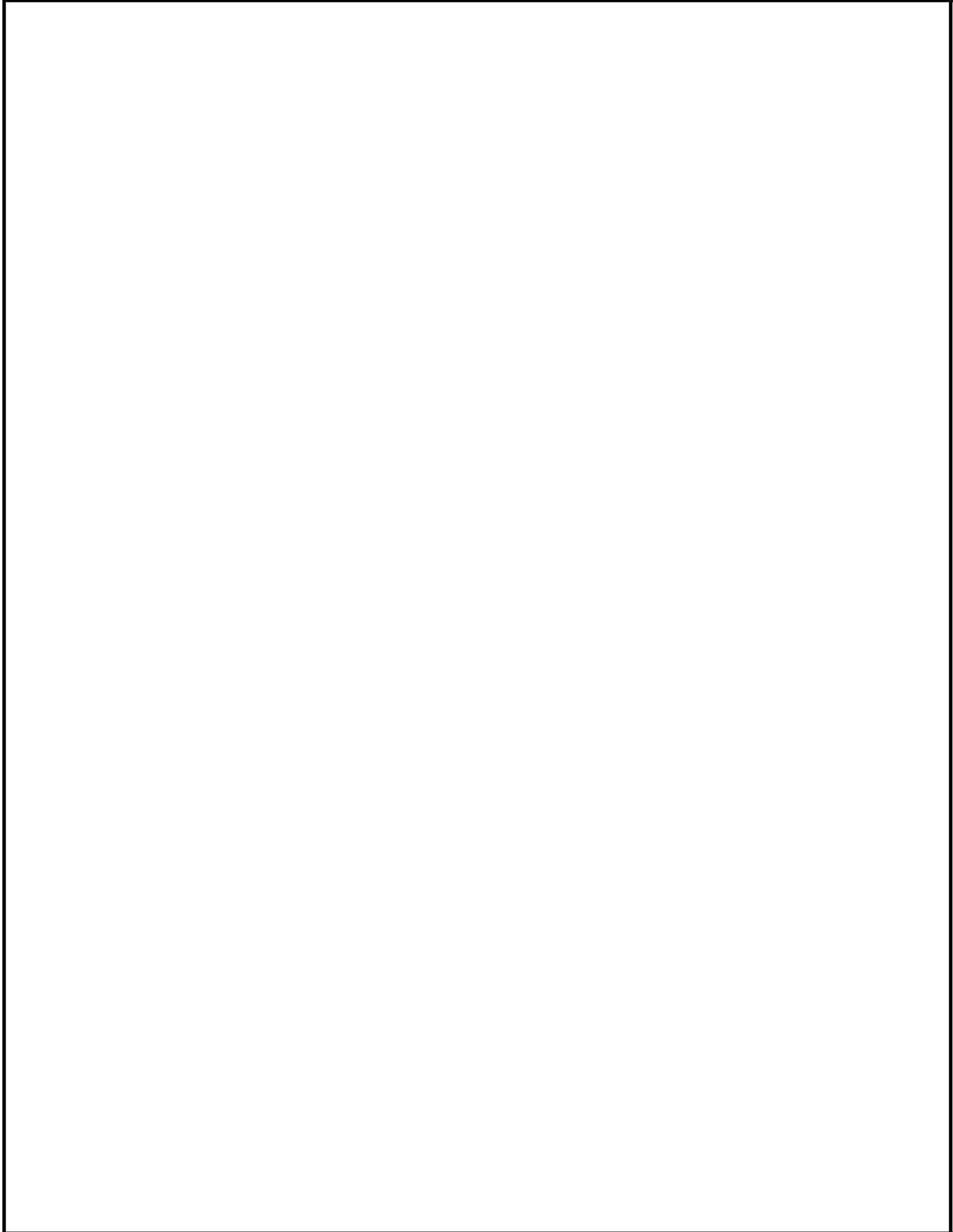
The Village of Hodge's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village of Hodge's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kenneth D. Folden & Co., CPAs

October 31, 2013
Jonesboro, Louisiana



Village of Hodge
Hodge, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

We have audited the basic financial statements of the Village of Hodge as of and for the year ended June 30, 2013, and have issued our report thereon dated DATE. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2013 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 XNo Significant Deficiencies XYes ___No

Compliance

Compliance Material to Financial Statements ___Yes XNo

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Current Year

2013-1-Inadequate Separation of Duties

Criteria: 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 should 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.

2013-2-Inadequate Controls over Preparation of Financial Statements

Condition: 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 will 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.

Prior Year

2012-1-Inadequate Separation of Duties

Criteria: 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 should 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.

2012-2-Inadequate Controls over Preparation of Financial Statements

Condition: 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 will 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.

2012-3-Inadequate Controls over Debit Card Purchases Procedure

Criteria: Management is responsible for establishing and following internal control procedures that provide for proper accounting and reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Condition: The procedure documented for purchases with the Village debit card was not followed. Purchases should be supported by an invoice or receipt. In testing for invoices for debit card purchases, fifteen purchases were reviewed. Out of the fifteen, invoices or other supporting documentation was not found for eleven of the purchases. Additionally, the debit card was given to a police officer to use while at an out of town conference. The officer used the card to make personal purchases. The Village notified the Jackson Parish Sheriff of the actions of the officer, and the officer was arrested. The District Attorney was notified.

Cause: An adequate system for assuring compliance with the debit card purchases procedure was not in place.

Effect: Without the adequate system in place to assure compliance with the procedure, the Village is susceptible to errors and fraud in recording debit card purchases and is susceptible to the misappropriation of Village funds.

Recommendation: Our recommendation is that the system will be modified to assure compliance with the debit card purchases procedure.

Management Response: The Village has modified the internal control system to assure compliance with the debit card purchases procedure. The police officer making personal purchases was arrested, and the District Attorney was notified of the crime. This finding has been resolved.

2012-4-Inadequate Controls to Ensure Compliance with Code of Ethics Law for Public Officials and Public Employees

Criteria: Management is responsible for establishing internal control policies and procedures that provide for compliance with applicable state laws including the Code of Ethics Law for Public Officials and Public Employees.

Condition: During the audit period, the Village undertook a transaction with an Alderman's family member and employed an Alderman's family member. These events caused the Village to be noncompliant with state law.

Cause: An adequate system for assuring compliance with the Code of Ethics Law Public Officials and Public Employees was not in place.

Effect: Without the adequate system in place to ensure compliance with the law, the Village could make decisions that violate state law.

Recommendation: The system should be modified to ensure that the Village follows the law regarding the Code of Ethics.

Management Response: The Village of Hodge has modified the internal control system to ensure that the Village follows the law. This finding has been resolved.

2012-5-Inadequate Controls to Ensure Compliance with Fiscal Agency and Cash Management Laws

Criteria: Management is responsible for establishing internal control policies and procedures that provide for compliance with applicable state laws including the Fiscal Agency and Cash Management Laws.

Condition: During the audit period, the pledged securities of the Village were less than the deposits held by the Village.

Cause: An adequate system for assuring compliance with the Fiscal Agency and Cash Management Laws was not in place.

Effect: Without the adequate system in place to ensure compliance with the law, the Village could make decisions that violate state law.

Recommendation: The system should be modified to ensure that the Village follows the law regarding the Fiscal Agency and Cash Management Laws.

Management Response: The Village of Hodge has modified the internal control system to ensure that the Village follows the law. This finding has been resolved.

2012-6-Compliance with Code of Ethics Law for Public Officials and Public Employees

Criteria: Louisiana Revised Statute (RS) 42:1119 states that no member of the immediate family of a member of a governing authority shall be employed by the governmental entity.

Condition: During the year ended June 30, 2013, an immediate family member of an Alderman was employed by the Village of Hodge in the Police Department for upkeep of the Dog Pound. He was employed for the first six months of the audit period.

Effect: The Village of Hodge was in violation of Louisiana RS on the Code of Ethics Law for Public Officials and Public Employees.

Recommendation: The Village should not employ immediate family members of the Board of Aldermen, and the employment should be terminated.

Management Response: The Village of Hodge no longer employs this immediate family member; therefore, this finding has been resolved.

2012-7-Compliance with Code of Ethics Law for Public Officials and Public Employees

Criteria: Louisiana Revised Statute (RS) 42:1112 states that no public servant shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any member of his immediate family has a substantial economic interest.

Condition: During the year ended June 30, 2013, the Village of Hodge Police Department was engaged in a transaction with for the purchase of weight-lifting equipment with an immediate family member of an Alderman.

Effect: The Village of Hodge was in violation of Louisiana RS on the Code of Ethics Law for Public Officials and Public Employees.

Recommendation: The Village should not be engage in purchase or sales transations with Aldermen or immediate family members as stated in Louisiana RS 42:1112.

Management Response: The Village has modified the internal control system to ensure that transactions with family members of Public Officials and Public Employees are not undertaken. This finding has been resolved.

2012-8-Compliance with Fiscal Agency and Cash Management Laws

Criteria: Louisiana Revised Statute (RS) 39:1225 states that the amount of security for deposits held by a fiscal agent must at all times equal one hundred percent of the amount of the collected funds on deposit to the credit of the Village except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

Condition: At the end of the year ended June 30, 2013, the Village of Hodge fiscal agent was held \$1,501

less than the collected balances of the Village.

Effect: The Village of Hodge was in violation of Louisiana RS on the Fiscal Agency and Cash Management.

Recommendation: The Village should maintain adequate pledged securities to equal all deposits held by the Fiscal Agency in the name of the Village.

Management Response: The Village of Hodge has modified the current system to ensure that pledged securities are adequate for all deposits held by the Village. This finding has been resolved.

Village of Hodge
Hodge, LouisianaSchedule of Compensation Paid Councilpersons
For the Year Ended June 30, 2013

	2012-2013
Paul F. Robinson	\$ 3,700
Steve H. Fox	3,700
Willard Willis	3,700
Total	\$ 11,100