

Village of Hodge

Hodge, Louisiana

Annual Financial Statements
with Independent Auditor's Report

As of and For the Year Ended
June 30, 2017
with Supplemental Information Schedules

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As of and for the year ended June 30, 2017
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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, 2017, 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, 2017, 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 7-12 and pages 52-53 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hodge's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head 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, we have also issued our report dated November 30, 2017 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. Felden & Co., CPAs

Jonesboro, Louisiana
November 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

PART I

Village of Hodge
Hodge, Louisiana

Management's Discussion and Analysis
As of and for the year ended June 30, 2017

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, 2017. 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 15-16 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.

Village of Hodge
Hodge, Louisiana

Management's Discussion and Analysis
As of and for the year ended June 30, 2017

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, 2017, 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 18-21 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 a more detailed 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 22-24 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 26-49 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, 2017 by \$1,754,421.

-The Village's net position decreased by \$152,630. The net position of the governmental activities decreased by \$125,509, and the net position of the business-type activities decreased by \$26,121.

-At June 30, 2017, the Village's governmental funds reported total ending fund balances of \$95,976, a decrease of \$116,888, from June 30, 2016. The entire balance is available for spending at the Village's discretion (unassigned fund balance).

Village of Hodge
Hodge, Louisiana

Management's Discussion and Analysis
As of and for the year ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Cash and equivalents	\$ 31,850	\$ 173,198	\$ 269,070	\$ 291,535	\$ 300,920	\$ 464,733
Accounts receivable	153,523	124,217	4,590	3,902	158,113	128,119
Cash and equivalents - restricted	-	-	51,249	49,884	51,249	49,884
Capital assets (net of accumulated depreciation)	733,983	774,601	716,050	726,011	1,450,033	1,500,612
Total Assets	\$ 919,356	\$ 1,072,016	\$ 1,040,959	\$ 1,071,332	\$ 1,960,315	\$ 2,143,348
Deferred Outflows of Resources						
Pension	\$ 46,599	\$ (69,699)	\$ -	\$ -	\$ 46,599	\$ (69,699)
Total Deferred Outflows of Resources	\$ 46,599	\$ (69,699)	\$ -	\$ -	\$ 46,599	\$ (69,699)
Liabilities						
Accounts payable	\$ 80,671	\$ 69,592	\$ 2,127	\$ 1,241	\$ 82,798	\$ 70,833
Payroll Liabilities	8,725	14,963	-	-	8,725	14,963
Due to HUOC	-	-	262	5,406	262	5,406
Customer meter deposits	-	-	49,124	49,116	49,124	49,116
Net pension liability	51,518	62,660	-	-	51,518	62,660
Total Liabilities	\$ 140,914	\$ 147,215	\$ 51,513	\$ 55,763	\$ 192,427	\$ 202,978
Deferred Inflows of Resources						
Pension	\$ 56,786	\$ (36,380)	\$ -	\$ -	\$ 56,786	\$ (36,380)
Total Deferred Inflows of Resources	\$ 56,786	\$ (36,380)	\$ -	\$ -	\$ 56,786	\$ (36,380)
Net Position						
Net investment in capital assets	\$ 733,983	\$ 774,601	\$ 716,050	\$ 726,011	\$ 1,450,033	\$ 1,500,612
Unrestricted	34,271	116,881	273,396	289,557	307,671	406,438
Total Net Position	\$ 768,254	\$ 891,482	\$ 989,446	\$ 1,015,568	\$ 1,757,704	\$ 1,907,050

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 \$1,754,421. A significant portion (82%) 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.

Village of Hodge
Hodge, Louisiana

Management's Discussion and Analysis
As of and for the year ended June 30, 2017

Summary of Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Charges for services	\$ 194,281	\$ 105,151	\$ 53,086	\$ 48,019	\$ 247,367	\$ 153,170
Taxes:						
Ad valorem tax	152,699	150,850	-	-	152,699	150,850
Franchise tax	2,239	2,110	-	-	2,239	2,110
Sales tax	433,181	422,822	-	-	433,181	422,822
Licenses and permits	24,631	23,605	-	-	24,631	23,605
Capital grant	30,681	43,400	-	11,154	30,681	54,554
Operating grant	25,305	1,750	-	-	25,305	1,750
Intergovernmental	29,727	20,971	-	-	29,727	20,971
Fines, forfeitures, and court costs	100,014	46,316	-	-	100,014	46,316
Rent, royalty, and commission	1,967	768	-	-	1,967	768
Interest earnings	77	177	222	204	299	381
Miscellaneous	12,703	11,315	22,817	529	35,520	11,844
Total revenues	<u>1,007,505</u>	<u>829,235</u>	<u>76,125</u>	<u>59,906</u>	<u>1,083,630</u>	<u>889,141</u>
Expenses						
Current:						
General government	238,237	223,519	-	-	238,237	223,519
Public safety						
Police	233,851	336,594	-	-	233,851	336,594
Fire	44,703	32,575	-	-	44,703	32,575
Streets	438,337	451,435	-	-	438,337	451,435
Sanitation	11,644	10,715	-	-	11,644	10,715
Services to related party	137,496	49,310	-	-	137,496	49,310
Utility	-	-	122,721	120,943	122,721	120,943
Total expenses	<u>1,104,268</u>	<u>1,104,148</u>	<u>122,721</u>	<u>120,943</u>	<u>1,226,989</u>	<u>1,225,091</u>
Excess (deficiency) of revenues over (under) expenses	<u>(96,763)</u>	<u>(274,913)</u>	<u>(46,596)</u>	<u>(61,037)</u>	<u>(143,359)</u>	<u>(335,950)</u>
Other financing sources (uses)						
Gain (loss) on sale of fixed assets	(5,993)	1,312	-	-	(5,993)	1,312
Operating transfers	(20,475)	(42,710)	20,475	42,710	-	-
Total other financing sources (uses)	<u>(26,468)</u>	<u>(41,398)</u>	<u>20,475</u>	<u>42,710</u>	<u>(5,993)</u>	<u>1,312</u>
Change in net position	<u>(123,231)</u>	<u>(316,311)</u>	<u>(26,121)</u>	<u>(18,327)</u>	<u>(149,352)</u>	<u>(334,638)</u>
Net position - June 30, 2016	<u>891,485</u>	<u>1,207,795</u>	<u>1,015,568</u>	<u>1,033,895</u>	<u>1,907,053</u>	<u>2,241,690</u>
Net position - June 30, 2017	<u>\$ 768,254</u>	<u>\$ 891,484</u>	<u>\$ 989,447</u>	<u>\$ 1,015,568</u>	<u>\$ 1,757,701</u>	<u>\$ 1,907,052</u>

Village of Hodge
Hodge, Louisiana

Management's Discussion and Analysis
As of and for the year ended June 30, 2017

Governmental activities. The most significant revenues of the governmental activities are sales taxes (43%), ad valorem taxes (15%), charges for services, excluding fines and forfeitures (19%), and fines and forfeitures (10%).

The highway and streets expenses are the most significant (40%) of all governmental activities expenses, followed by the general government expense (22%) and the public safety-police expenses (21%). Depreciation expense is included in these amounts.

Governmental activities revenues increased by \$174,991 in the current year as compared to the prior year. The increase was primarily attributable to an increase in charges for services of \$89,130 and an increase in fines and forfeitures of \$53,698.

Governmental activities expenses increased by \$120 in the current year as compared to the prior year.

Business-type activities. The business-type activities net position decreased by \$26,121, due to an increase in utility expenses. The business-type expenses exceeded the business-type revenues by \$46,596.

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, 2017, the combined governmental fund balances of \$95,975 reflect a decrease of \$116,888 from June 30, 2016. The entire fund balance is unassigned, which is considered available for appropriation.

The changes 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 decreased by \$26,121 in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund final actual revenues exceeded budgeted revenue by \$188,869. Favorable variances included \$67,014 in fines, forfeitures, and court costs, \$56,681 for charges for services, and \$27,402 in capital grants. General Fund final budgeted expenditures were more than actual expenditures by \$153,382, due primarily to actual general government and capital outlay expenditures being more than budgeted expenditures.

Village of Hodge
Hodge, Louisiana

Management's Discussion and Analysis
As of and for the year ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2017, the Village of Hodge's investment in capital assets for its governmental activities totals \$730,704 (net of accumulated depreciation), and its investment in capital assets for its business-type activities totals \$716,050 (net of accumulated depreciation). This investment includes land, buildings and improvements, furniture, and equipment. During the year ended June 30, 2017, the Village purchased assets totaling \$103,714, including an air conditioner for the Village Hall, a new basketball court, bunker gear and radios for the fire department, a service truck for the fire department, a computer for the police department, a service truck for the streets department, a leaf-lawn vacuum for the streets department, a new retaining wall and sign for the cemetery, a Kubota tractor for the utility department, a mosquito sprayer for the utility department, and a line locator for the utility department.

Debt administration. At year ended June 30, 2017, the Village had \$51,518 of long-term obligations. The long-term obligations consist entirely of net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2017-2018 budget is forecasted to provide \$801,450 in revenues and \$112,905 in estimated surplus to fund costs of \$910,690.

Capital outlay is budgeted in the amount of \$95,000.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Village of Hodge
Hodge, Louisiana

Statement of Net Position
As of June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 31,850	\$ 269,070	\$ 300,920
Accounts receivable	153,523	4,590	158,113
Cash and equivalents - restricted	-	51,249	51,249
Capital assets (net of accumulated depreciation)	733,983	716,050	1,450,033
Total Assets	919,356	1,040,959	1,960,315
Deferred Outflows of Resources			
Pension	46,599	-	46,599
Total Deferred Outflows of Resources	46,599	-	46,599
Liabilities			
Accounts payable	80,671	2,127	82,798
Payroll liabilities	8,725	-	8,725
Due to HUOC	-	262	262
Customer meter deposits	-	49,124	49,124
Net pension liability	51,518	-	51,518
Total Liabilities	140,914	51,513	192,427
Deferred Inflows of Resources			
Pension	56,786	-	56,786
Total Deferred Inflows of Resources	56,786	-	56,786
Net Position			
Net investment in capital assets	733,983	716,050	1,450,033
Unrestricted	34,271	273,396	307,667
Total Net Position	\$ 768,254	\$ 989,446	\$ 1,757,700

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, 2017

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
<u>Functions/Programs</u>						
Primary government						
Governmental activities						
General government	\$ 238,237	\$ 2,944	\$ -	\$ 9,779	\$ (225,514)	\$ -
Police	233,851	100,014	675	-	(133,162)	-
Fire	44,703	-	6,065	9,002	(29,636)	-
Highways and streets	438,337	1,683	18,566	11,900	(406,188)	-
Sanitation	11,644	32,206	-	-	20,562	-
Services to related party	137,496	157,448	-	-	19,952	-
Total governmental activities	1,104,268	294,295	25,306	30,681	(753,986)	-
Business-type activities						
Water and sewer	122,721	53,086	-	-	(69,635)	(69,635)
Total primary government	\$ 1,226,989	\$ 347,381	\$ 25,306	\$ 30,681	(753,986)	(69,635)
						(823,621)
<u>General Revenues</u>						
Taxes:						
Property taxes, levied for general purposes				152,699	-	152,699
Sales taxes				433,181	-	433,181
Franchise taxes				2,239	-	2,239
Licenses				24,631	-	24,631
Intergovernmental				29,727	-	29,727
Investment earnings				77	222	299
Rent, royalties, and commissions				1,967	-	1,967
Other revenue				12,703	22,817	35,520
Gain (loss) on sale of fixed assets				(5,993)	-	(5,993)
Operating transfers				(20,475)	20,475	-
Total general revenues and transfers				630,756	43,514	674,270
Change in net position				(123,230)	(26,121)	(149,351)
Net position - June 30, 2016 (restated)				891,485	1,015,568	1,907,053
Net position - June 30, 2017				\$ 768,255	\$ 989,447	\$ 1,757,702

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, 2017

	Governmental Funds
Assets	
Cash and equivalents	\$ 31,850
Accounts receivable	153,523
Total Assets	<u>185,373</u>
Liabilities & Fund Balances	
Liabilities:	
Accounts payable	\$ 80,671
Payroll liabilities	8,725
Total Liabilities	<u>89,396</u>
Fund balances:	
Unassigned	95,976
Total Fund Balances	<u>95,976</u>
Total Liabilities & Fund Balances	<u>\$ 185,372</u>

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

Village of Hodge
Hodge, Louisiana

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2017

Total Fund Balances at June 30, 2017 - Governmental Funds (Statement C)	\$	95,976
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Total Net Position reported for governmental activities in the Statement of Net Position (Statement A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.		733,983
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Net pension liability		(51,518)
Deferred outflows of resources		46,599
Deferred inflows of resources		(56,786)
		(61,695)

Net Position at June 30, 2017	\$	768,254
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Village of Hodge
Hodge, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2017

	General Fund
Revenues	
Taxes:	
Ad valorem tax	\$ 152,699
Franchise tax	2,239
Sales tax	433,181
Licenses and permits	24,631
Capital grant	30,681
Intergovernmental:	
Operating grant	25,305
Fire insurance rebate	3,133
Police supplemental pay and witness fees	23,984
Streets maintenance	2,610
Fines, forfeitures, and court costs	100,014
Rent, royalty, and commission	1,967
Charges for services	194,281
Miscellaneous	11,173
Total revenues	<u>1,005,898</u>
Expenditures	
Current:	
General government	229,834
Public safety	
Police	251,290
Fire	36,233
Streets	378,656
Sanitation	11,644
Services to related party	137,496
Capital outlay	62,844
Total expenditures	<u>1,107,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,099)</u>
Other financing sources (uses)	
Interest earnings	77
Proceeds from the sale of fixed assets	5,609
Operating transfers	(20,475)
Total other financing sources (uses)	<u>(14,789)</u>
Net changes in fund balances	(116,888)
Fund balances - June 30, 2016	212,863
Fund balances - June 30, 2017	<u>\$ 95,975</u>

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

Village of Hodge
Hodge, Louisiana

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Funds Balances to the Statement of Activities
For the Year Ended June 30, 2017

Total net change in Fund Balances - Governmental Funds (Statement E)	\$	(116,887)
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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 capitalized over their estimated useful lives as depreciation expense. This is the amount by which capital outlay differs from depreciation for the period.

Depreciation		(91,860)
Capital outlay		62,844
Difference between proceeds from the sale of capital assets and gain (loss) on the sale of capital assets		(11,602)
Compensated absence expense increase		-
Net pension liability increase		34,274
Change in net position of governmental activities (Statement B)	\$	<u><u>(123,231)</u></u>

Village of Hodge
Hodge, Louisiana

Statement of Net Position - Proprietary Fund
As of June 30, 2017

	Water & Sewer Fund
Assets	
Current Assets:	
Cash and equivalents	\$ 269,070
Accounts receivable	4,590
Due from other funds	-
Total Current Assets	<u>273,660</u>
Noncurrent Assets:	
Cash and equivalents - restricted	51,249
Capital assets (net of accumulated depreciation)	716,050
Total Noncurrent Assets	<u>767,299</u>
Total Assets	<u><u>\$ 1,040,959</u></u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 2,127
Due to HUOC	262
Due to other funds	-
Total Current Liabilities	<u>2,389</u>
Current liabilities payable from restricted assets	
Customer meter deposits	49,124
Total Liabilities	<u>51,513</u>
Net Position	
Net investment in capital assets	716,050
Unrestricted	273,396
Total Net Position	<u><u>\$ 989,446</u></u>

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

Village of Hodge
Hodge, Louisiana

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

	Water & Sewer Fund
Operating Revenues	
Water sales	\$ 30,676
Sewer fees	22,410
Miscellaneous income	22,817
Total operating revenues	<u>75,903</u>
Operating Expenses	
Personnel services	20,270
Supplies	26,516
Repairs and maintenance	13,807
Contractual services	8,668
Miscellaneous	(650)
Depreciation	54,110
Total operating expenses	<u>122,721</u>
Operating Income (Loss)	(46,818)
Non-operating Revenues (Expenses)	
Interest earnings	222
Gain (loss) on sale of fixed asset	-
Total non-operating revenues (expenses)	<u>222</u>
Income (loss) before transfers	<u>(46,596)</u>
Transfers	<u>20,475</u>
Change in net position	(26,121)
Total Net Position - June 30, 2016	<u>1,015,568</u>
Total Net Position - June 30, 2017	<u><u>\$ 989,447</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, 2017

	Water & Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 84,654
Cash payments to suppliers for goods and services	(82,300)
Cash payments received from (paid to) HUOC	-
Net cash provided by (used for) operating activities	<u>2,354</u>
Cash flows from non-capital financing	
Transfers to and from other funds	<u>20,475</u>
Net cash provided by (used for) non-capital financing activities	<u>20,475</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(44,149)
Other revenue	-
Net cash provided by (used for) capital and related financing activities	<u>(44,149)</u>
Cash flows from investing activities	
Interest earnings	<u>222</u>
Net cash provided by (used for) investing activities	<u>222</u>
Net increase (decrease) in cash and cash equivalents	(21,098)
Cash and cash equivalents - June 30, 2016	<u>341,419</u>
Cash and cash equivalents - June 30, 2017	<u><u>\$ 320,321</u></u>
Reconciliation of operating income to net provided by operating activities	
Operating income	\$ (46,818)
Adjustments	
Depreciation	54,110
Net changes in assets and liabilities	
Accounts receivable	(688)
Customers' security deposits	8
Accounts payable	886
Due to HUOC	<u>(5,144)</u>
Net cash provided for (used for) operating activities	<u><u>\$ 2,354</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

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 accounting principles generally accepted in the United States of America (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. The Village applies all relevant GASB pronouncements, as applicable to governmental entities. Also, the Village's financial statements are prepared in accordance with the requirements of Louisiana R.S. 24:513, the Louisiana Municipal Audit and Accounting Guide and to the industry guide, Audits of State and Local Government Units, published by the American Institute of Certified Public Accountants.

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 general purpose local 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 Village 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.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

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. Fiduciary activities of the Village are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, 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. Under the accrual basis of accounting, 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 related cash flows. 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.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village of Hodge's governmental activities.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) are derived directly from parties outside the Village's taxpayers or citizenry, including (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; 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.

Indirect Expenses - The Village reports all indirect expenses separately on the Statement of Activities (Statement B). Indirect expenses are those expenses that are not clearly identifiable with a function. Interest on long-term debt is considered an indirect expense.

General revenues are taxes and other items that are not properly included among program revenues. The effect of interfund activity has been removed from the government-wide financial statements.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

D. Fund Financial Statements

The accounts of the Village of Hodge are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, expenditures or expenses, as appropriate, additions, and deductions. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Funds of the Village are classified into two categories: governmental and proprietary.

Governmental Funds

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Village has presented all major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. Amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Long-term debts are reported as an other financing source, and repayment of long-term debt is reported as an expenditure. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. Accordingly, revenues are recorded when received in cash and when collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

The Village of Hodge reports the following major governmental funds:

General Fund - The primary operating fund of the Village, the General Fund, 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.

Revenues

The governmental funds use the following practices in recording 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.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred, all other grant requirements have been met, and the susceptible-to-accrual criteria have been met.

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

Expenditures

The governmental funds use the following practices in recording 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)

The governmental funds use the following practices in recording 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.

Proprietary Funds

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 three components-net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. 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.

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.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

The Enterprise Fund of the Village of Hodge is the Water and Sewer Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the Village for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Revenues and Expenses

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. Equity Classifications

The Village of Hodge has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and reported in three components:

Net investment in capital assets: This classification 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 these assets.

Restricted net position: This classification consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted net position: Any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

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, 2017.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

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, 2017.

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 of Aldermen 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 Board typically establishes commitments through the adoption and amendment of the budget. The Village did not have any committed funds for the year ended June 30, 2017.

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 of Aldermen or through the Board delegating this responsibility to a body or official (Mayor) for specific purposes. 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, 2017.

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 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.

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 2016-2017 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 May 24, 2016, and the budget was adopted by the Board of Aldermen. There were no amendments made to the budget.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village of Hodge may deposit funds in demand deposits in stock-owned federally insured depository institutions organized under the laws of the state of Louisiana or of any other state of the United States, or under the laws of the United States. The Village may invest in certificates and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For the purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of 90 days or less when purchased.

Under state law, the Village may invest in United States bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all other reported as investments.

The Village reports restricted assets on the Statement of Net Position (Statement A), which includes restricted cash (customer deposits) that is collected by the Water and Sewer Department.

H. Investments

The Village of Hodge's investments comply with Louisiana Revised Statute 33:2955. Under state law, the Village may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Village may invest in United States bonds, treasury notes and bills, or government-backed agency securities or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value except for those which are permitted under GASB Statement No. 31 to use a different valuation measurement.

In accordance with paragraph 69 of GASB Statement No. 72, the Village reports at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

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.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

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 of the government-wide financial statements, but are not reported in the governmental fund financial statements. Acquisitions of property and equipment 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. The Village maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The estimated useful life for classes of assets are as follows:

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

In accordance with GASB Statement No. 34, general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

L. Deferred Outflows of Resources

The Village reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Village reported \$46,599 in deferred outflows of resources due to the net pension liability.

M. 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.

N. Deferred Inflows of Resources

The Village reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Village will not recognize the related revenues until a future event occurs. The Village reported \$56,786 of deferred inflows of resources due to the net pension liability.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

O. Interfund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a 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 enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure by the providing fund.

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other funds" or "due to other funds" on the Fund Financial Statements Balance Sheet (Statement C), as well as all other outstanding balances between funds.

In the process of aggregating data for the Statement of Net Position (Statement A) and the Statement of Activities (Statement B), some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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 2016 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 August 6, 2016. This millage is the maximum millage that can be assessed without the approval of the voters of the Village.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

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

WestRock	\$ 130,843
Hodge Bank and Trust	3,417
De Lage Landen	1,856
Kansas City Southern Railroad	1,724
JPS Equipment Rental	462
Total	<u>\$ 138,301</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, Cash Equivalents, and Investments

At June 30, 2017, the Village had cash and cash equivalents (book balances) totaling \$352,170, including \$350 cash on hand. 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, 2017, the Village had \$364,545 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 federal deposit insurance, and \$494,226 of pledged securities held in a Federal Reserve pledge account. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Village of Hodge has complied with these requirements of state law.

Cash and investments are categorized to give an indication of the level of risk assumed by the Village at June 30, 2017. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the the pledging financial institution's trust department or agent but not in the depositor-government's name. The Village of Hodge has cash and cash equivalents that are covered by \$250,000 of federal depository insurance. The remaining balance is exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2017, the Village had no investments.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

5. Receivables

The receivables of \$158,113 at June 30, 2017, are as follows:

	Fund		
	General	Enterprise	Total
Services	\$ 2,666	\$ 4,590	\$ 7,256
Franchise fees	399	-	399
HUOC	80,661	-	80,661
State - DOTD	1,305	-	1,305
Sales taxes	67,542	-	67,542
Other	950	-	950
Total	<u>\$ 153,523</u>	<u>\$ 4,590</u>	<u>\$ 158,113</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017, is as follows:

A. Capital Assets - Governmental Funds

	Balance, July 01, 2016	Additions	Deletions	Balance, June 30, 2017
Capital assets not depreciated				
Land	\$ 63,291	\$ -	\$ -	\$ 63,291
Construction in Progress	2,000	-	2,000	-
Total capital assets not being depreciated	65,291	-	2,000	63,291
Capital assets being depreciated				
Buildings	246,783	-	-	246,783
Improvements other than buildings	919,140	23,025	-	942,165
Furniture	39,724	-	-	39,724
Equipment	234,802	17,881	17,128	235,555
Vehicles	527,728	18,659	-	546,387
Total capital assets being depreciated	\$ 1,968,177	\$ 59,565	\$ 17,128	\$ 2,010,614
Less accumulated depreciation				
Buildings	\$ 190,754	\$ 3,081	\$ -	\$ 193,835
Improvements other than buildings	478,808	43,717	-	522,525
Furniture	38,621	228	-	38,849
Equipment	98,461	18,883	5,526	111,818
Vehicles	450,223	25,950	-	476,173
Total accumulated depreciation	1,256,867	91,860	5,526	1,343,200
Capital assets, net	\$ 711,310	\$ (32,295)	\$ 11,602	\$ 667,414
Governmental capital assets - net	\$ 776,601	\$ (32,295)	\$ 13,602	\$ 730,705

Functional Allocation of Depreciation Expense

General government	\$ 5,770
Fire	8,470
Police	17,938
Highways and streets	59,681
Total	<u>\$ 91,859</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

B. Capital Assets - Proprietary Funds

	Balance, July 01, 2016	Additions	Deletions	Balance, June 30, 2017
Capital assets being depreciated				
Water System	\$ 460,936	\$ -	\$ -	\$ 460,936
Sewer System	623,952	-	-	623,952
Machinery and equipment	103,089	44,149	-	147,238
Total capital assets being depreciated	\$ 1,187,977	\$ 44,149	\$ -	\$ 1,232,126
Less accumulated depreciation				
Water System	\$ 173,746	\$ 15,522	\$ -	\$ 189,268
Sewer System	222,125	24,894	-	247,019
Machinery and equipment	66,094	13,694	-	79,788
Total accumulated depreciation	\$ 461,966	\$ 54,110	\$ -	\$ 516,075
Business-type activities capital assets, net	\$ 726,011	\$ (9,961)	\$ -	\$ 716,051

Functional Allocation of Depreciation Expense

Water	\$ 15,522
Sewer	24,894
Machinery and equipment	13,694
Total	<u>\$ 54,110</u>

7. Payables

The payables of \$91,523 at June 30, 2017, are as follows:

	Fund		
	General	Enterprise	Total
Accounts	\$ 80,671	\$ 2,127	\$ 82,798
Payroll liabilities	8,725	-	8,725
Total	<u>\$ 89,396</u>	<u>\$ 2,127</u>	<u>\$ 91,523</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

8. Retirement Systems

A. Municipal Employees' Retirement System of Louisiana (System)

Plan Description

The Village of Hodge contributes to the Municipal Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. 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.

Any member of Plan B who was hired before January 1, 2013, can retire providing the member meets one of the following criteria:

1. Any age with 30 years of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.
3. Any age with ten years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.

Eligibility for retirement for Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven or more years of creditable service.
2. Age 62 with ten or more years of creditable service.
3. Age 55 with thirty or more years of creditable service.
4. Any age with twenty five years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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.

For the year ended June 30, 2017, the Village of Hodge's total payroll for all employees was \$548,765. Total covered payroll was \$49,632. Covered payroll refers to all compensation paid by the Village of Hodge to active employees covered by the Plan.

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.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer contribution rate was 9.50% for Plan B, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Village of Hodge to the System monthly. The Village of Hodge's contributions to the System under Plan B for the year ending June 30, 2017 were \$4,338.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Village reported a liability of \$51,518 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Village of Hodge's proportion of the Net Pension Liability was based on a projection of the Village of Hodge's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Village of Hodge's proportion was 0.062152%, which was a decrease of 0.005964% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village of Hodge recognized the system pension expense of \$9,271 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was (\$6,638). Total pension expense for the Village was \$2,633.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

At June 30, 2017, the Village of Hodge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 423	\$ 744
Changes in assumption	2,566	-
Net difference between projected and actual earnings on pension plan	12,627	-
Changes in employer's proportion of beginning net pension liability	4,162	10,863
Differences between employer and proportionate share of contributions	(7)	-
Contributions after the measurement period	5,460	-
Total	<u>\$ 25,231</u>	<u>\$ 11,607</u>

The \$5,460 reported as deferred outflows of resources related to pensions resulting from Village of Hodge contributions subsequent to the measurement date will be recognized as an increase of Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 3,406
2019	3,406
2020	3,406
2021	3,406

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016, are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.500%
Inflation Rate	2.875%
Projected Salary Increases (including inflation and merit increases)	5.000%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled Annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected Remaining Service Lives	4 years for Plan B

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.60%
Public fixed income	15%	1.80%
Alternatives	35%	0.80%
Totals	100%	5.20%
Inflation		2.50%
Expected arithmetic nominal return		7.70%

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Village of Hodge's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Village of Hodge's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Village of Hodge's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Employer's proportionate share of net pension liability \$	\$ 66,646	\$ 51,518	\$ 38,612

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

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

Plan Description

The Village of Hodge contributes to the Municipal Police Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. Membership in the System is mandatory for all full-time police officers employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

Any member of the Plan who was hired before January 1, 2013, can retire providing the member meets one of the following criteria:

1. Any age with 25 years of creditable service.
2. Age 50 with a minimum of twenty or more years of creditable service.
3. Age 55 with a minimum of twelve years of creditable service.
4. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

The monthly amount of benefits are 3 1/3% of their average final compensation (employee's average monthly earnings during the highest 36 consecutive or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Eligibility for retirement for members hired on or after January 1, 2013 is as follows:

Hazardous Duty

1. Any age with 25 years of creditable service.
2. Age 55 with twelve or more years of creditable service.
3. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

Non Hazardous Duty

1. Any age with 30 years of creditable service.
2. Age 55 with twenty-five or more years of creditable service.
3. Age 60 with ten or more years of creditable service.
4. After 20 years of creditable service at any age, with actuarially reduced benefit from age 55.

The benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

The system also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2017, the Village of Hodge's total payroll for all employees was \$548,765. Total covered payroll was \$0. Covered payroll refers to all compensation paid by the Village of Hodge to active employees covered by the Plan.

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, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411, or by visiting the System's website www.lampers.org.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, total contributions due for employers was 31.50%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer contribution rate for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 was 31.50%. The employer contribution rate for all Non Hazardous Duty members hired after January 1, 2013 was 33%. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

Members are required by state statute to contribute 10.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Village of Hodge to the System monthly. The Village of Hodge's contributions to the System for the year ending June 30, 2017 were \$0.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Employer reported a liability of \$0 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Village of Hodge's proportion of the Net Pension Liability was based on a projection of the Village of Hodge's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Village of Hodge's proportion was 0.000000%, which was a decrease of 0.002089% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village of Hodge recognized pension expense of \$0 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$35,378). Total pension expense for the Village was (\$35,378).

At June 30, 2017, the Village of Hodge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumption	-	-
Net difference between projected and actual earnings on pension plan	-	-
Changes in employer's proportion of beginning net pension liability	24,994	45,179
Differences between employer and proportionate share of contributions	(3,625)	-
Contributions after the measurement period	-	-
Total	<u>\$ 21,369</u>	<u>\$ 45,179</u>

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:		
2018	\$	(5,952)
2019		(5,952)
2020		(5,952)
2021		(5,952)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016, are as follows:

Valuation Date	June 30, 2016	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.5%, net of investment expense	
Inflation rate	2.875%	
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Projected Salary Increases (including inflation and merit)	Years of Service	Salary Growth Rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Expected Remaining Service Lives	4 years	
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	53%	3.69%
Fixed income	21%	0.49%
Alternatives	20%	1.11%
Other	6%	0.21%
Totals	100%	5.50%
Inflation		2.75%
Expected arithmetic nominal return		8.25%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village of Hodge's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Village of Hodge's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Village of Hodge's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Employer's proportionate share of net pension liability	\$ -	\$ -	\$ -

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

9. Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended June 30, 2017:

Long-term obligation	Balance, July 01, 2016	Additions	Deletions	Balance, June 30, 2017
Net pension liability	\$ 62,660	\$ -	\$ 11,142	\$ 51,518
Total	\$ 62,660	\$ -	\$ 11,142	\$ 51,518

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of the year ended June 30, 2017:

Long-term obligation	Current portion	Long-term portion	Total
Net pension liability	\$ -	\$ 51,518	\$ 51,518
Total	\$ -	\$ 51,518	\$ 51,518

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, 2017, fees for services rendered were received in the Village's General Fund from HUOC in the amount of \$157,448 and expenses paid from the Village's General Fund to HUOC were \$137,496. Expenses paid to HUOC for the Village's utilities were \$2,550.

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, 2017, the amount due to HUOC of \$262 were monies collected for HUOC that were not remitted before the end of the fiscal year.

Village of Hodge
Hodge, Louisiana

Notes to the Financial Statements
As of and for the year ended June 30, 2017

11. Grants

During the year ended June 30, 2017, the Village of Hodge received total grant income of \$46,207. The fire department received \$8,566 from the Louisiana Department of Agriculture and Forestry (Volunteer Fire Assistance grant) that was used to purchase turnout gear suits for volunteer firefighters, radios, pagers, and other supplies for the fire department. The total cost for the fire department was \$17,167, and the Village paid the difference from the grant amount awarded. The Jackson Parish Recreation District granted the Village \$9,779 to build an asphalt basketball court and to purchase a basketball goal. The police department was awarded \$675 from the Louisiana Highway Safety Commission for overtime for officers working the Click It or Ticket program. The Village also received \$18,566 from FEMA to make repairs to 1st Street in Hodge. Lastly, the streets department received a grant from the Louisiana Government Assistance Program for \$11,900 to purchase a new truck.

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 WestRock Company, which provides the majority of property tax and sales and use tax revenue for the Village. There were no receivables at June 30, 2017, due from WestRock Company.

13. Litigation and Claims

At June 30, 2017, the Village was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance.

14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 30, 2017, 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, 2017

	Budget - Original/Final	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes:			
Ad valorem tax	\$ 130,000	\$ 152,699	\$ 22,699
Franchise tax	2,750	2,239	(511)
Sales tax	470,000	433,181	(36,819)
Licenses and permits	19,000	24,631	5,631
Capital grant	-	30,681	30,681
Operating grant	-	25,305	25,305
Intergovernmental	18,900	29,727	10,827
Fines, forfeitures, and court costs	33,000	100,014	67,014
Rent, royalty, and commission	-	1,967	1,967
Charges for services	137,600	194,281	56,681
Miscellaneous	2,500	11,173	8,673
Total revenues	<u>813,750</u>	<u>1,005,898</u>	<u>192,148</u>
Expenditures			
Current:			
General government	317,600	229,834	87,766
Public safety			
Police	302,500	251,290	51,210
Fire	27,600	36,233	(8,633)
Streets	349,800	378,656	(28,856)
Sanitation	11,500	11,644	(144)
Services to related party	136,100	137,496	(1,396)
Capital outlay	113,000	62,844	50,156
Total expenditures	<u>1,258,100</u>	<u>1,107,997</u>	<u>150,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(444,350)</u>	<u>(102,099)</u>	<u>342,251</u>

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

Village of Hodge
Hodge, Louisiana

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

Other financing sources (uses)

Interest earnings	200	77	(123)
Proceeds from the sale of fixed assets	-	5,609	5,609
Operating transfers	-	(20,475)	(20,475)
Total other financing sources (uses)	<u>200</u>	<u>(14,789)</u>	<u>(14,989)</u>
Net changes in fund balances	(444,150)	(116,888)	327,262
Fund balances - June 30, 2016	<u>503,064</u>	<u>212,863</u>	<u>(290,201)</u>
Fund balances - June 30, 2017	<u>\$ 58,914</u>	<u>\$ 95,975</u>	<u>\$ 37,061</u>

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

Village of Hodge
Hodge, Louisiana

Notes to the Budgetary Comparison Schedule
For the year ended June 30, 2017

NOTE 1 - BUDGETARY POLICIES

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

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

Kenneth D. Folden & Co.

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

Village of Hodge
Hodge, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hodge, as of and for the year ended June 30, 2017, 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 November 30, 2017. 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.

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.

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. Felden & Co., CPAs

Jonesboro, Louisiana
November 30, 2017

SUPPLEMENTAL INFORMATION

Village of Hodge
Hodge, Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

We have audited the basic financial statements of the Village of Hodge as of and for the year ended June 30, 2017 and have issued our report thereon dated November 30, 2017. 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, 2017 resulted in an unqualified opinion.

A. Summary of Auditor's Report

Report on Internal Control and Compliance Material to Financial Statements

Internal Control

Material Weakness ☐ Yes ☒ No Significant Deficiencies ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

B. Findings - Financial Statements Audit

Current Year

No current year findings.

Prior Year

No prior year findings.

Village of Hodge
Hodge, Louisiana

Schedule of Compensation Paid Aldermen
For the year ended June 30, 2017

	2017
Wayne T. Buchan	\$ 5,500
Steve H. Fox	5,500
Willard Willis	5,500
	<u>\$ 16,500</u>

Village of Hodge
Hodge, Louisiana

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2017

Gerald Palmer Mayor		
Salary	\$	14,400
Benefits - Retirement		1,584
Mileage reimbursement		4,152
Travel		33
Reimbursements		19
	\$	<u>20,187</u>

Village of Hodge
Hodge, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Employees Retirement System
For the year ended June 30, 2017

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.062152%	0.068116%	0.068791%
Employer's proportionate share of the net pension liability (asset)	51,518	46,295	32,297
Employer's covered employee payroll	45,663	47,260	46,662
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	112.82 %	97.96 %	69.22 %
Plan fiduciary net position as a percentage of total pension liability	63.34 %	66.18 %	76.94 %

The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Hodge
Hodge, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Police Employees Retirement System
For the year ended June 30, 2017

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	- %	0.002089 %	0.010701 %
Employer's proportionate share of the net pension liability (asset)	-	16,365	66,947
Employer's covered employee payroll	-	5,586	12,814
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	- %	292.96 %	522.45 %
Plan fiduciary net position as a percentage of total pension liability	66.04 %	70.73 %	75.10 %

The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Hodge
Hodge, Louisiana

Schedule of Employer Contributions
Municipal Employees Retirement System
For the year ended June 30, 2017

	2017	2016	2015
Contractually required contribution	\$ 5,460	\$ 4,338	\$ 4,490
Contributions in relation to contractually required contribution	5,460	4,338	4,490
Contribution deficiency (excess)	-	-	-
Employer's covered payroll	\$ 49,632	\$ 45,663	\$ 47,260
Contributions as a percentage of covered employee payroll	11.00 %	9.50 %	9.50 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Hodge
Hodge, Louisiana

Schedule of Employer Contributions
Municipal Police Employees Retirement System
For the year ended June 30, 2017

	2017	2016	2015
Contractually required contribution	\$ -	\$ -	\$ 1,760
Contributions in relation to contractually required contribution	-	-	1,760
Contribution deficiency (excess)	-	-	-
Employer's covered payroll	\$ -	\$ -	\$ 5,586
Contributions as a percentage of covered employee payroll	- %	- %	31.50 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Kenneth D. Folden & Co.

Kenneth D. Folden, CPA

Certified Public Accountants

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Alderment of Village of Hodge
Hodge, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Village of Hodge and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 01, 2016 through June 30, 2017. The Village's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a. Budgeting, including preparing, adopting, monitoring, and amending the budget,
 - b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. Disbursements, including processing, reviewing, and approving,
 - d. Receipts, including receiving, recording, and preparing deposits,
 - e. Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked,
 - f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process,
 - g. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage,
 - h. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers,

i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy, and

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

Exception: The Village does not have written policies and procedures on budgeting, contracts, travel and expense reimbursements, ethics, and debt service.

Management's Response: The Village will develop written policies and procedures on budgeting, contracts, travel and expense reimbursements, ethics, and debt service.

Board

2. Obtain and review the board/committee minutes for the fiscal period, and

a. Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Response: The Board of Aldermen meets monthly.

b. Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Response: The Board of Aldermen approves bills monthly and reviews budget to actual comparison.

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

Response: Non-budgetary information is reported in minutes.

Exception: There are no exceptions in relation to the Board.

Management's Response: None.

Bank Reconciliations

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

Response: Management provided us with a list of bank accounts and representation that the list is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

a. Bank reconciliations have been prepared;

Response: Reviewed all 6 bank accounts - General Fund, Water and Sewer, Sales Tax, Meter Deposit, Grant Fund, and BFCU Savings. Each bank account had a reconciliation every month except the Grant Fund. However, the Grant Fund had only 2 transactions for the entire audit period, as it was used to make payments for a streets project with grant funds from FEMA.

b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Response: There is no indication that a member of management or an Aldermen has reviewed the reconciliation.

c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

Response: There are 20 transactions that are over six months old that are still listed on the reconciliations. There is no documentation that the transactions have been researched to be removed from the reconciliation.

Exception: See above responses.

Management's Response: The Village will insure that all bank accounts have reconciliation for every month of the fiscal year no matter the amount of transactions, and each of the reconciliations will be reviewed by an Alderman indicated by initials and a date of review. The Village Clerk will research the transactions over six months old, and the Village Clerk will monitor the reconciliation each month for any items that become more than six months old.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Response: Collection location is Hodge Village Hall.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

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

Response: (1) Covered under liability insurance.

(2) Clerk is secondary receiver of cash (Assistant Clerk primarily receives cash), records transaction, reconciles bank statement.

(3) There is only one cash drawer that Clerk and Assistant Clerk use.

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

Response: No written policy or procedure for reconciling cash collections to the GL. Daily sheets showing amounts received each day are used to reconcile the GL to the cash collections. Collections are primarily done by Assistant Clerk, but Clerk does have to take cash collections in the absence of the Assistant Clerk.

c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Response: There were 10 out of 72 deposits that were not made within one day of collection. No collection was deposited more than three days from collection.

- ii. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Response: Out of 72 deposits, all were supported by some form of documentation.

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

Response: There is no written policy or procedure to determine completeness of all collections.

Exception: See above responses.

Management's Response: The Village will develop a written policy and procedures for reconciling cash collections to the general ledger and for determining the completeness of all collections. Because the Village employs only a Clerk and an Assistant Clerk, there are limited segregation of duties; however, the Village will develop written policies and procedures to insure that the Mayor and the Board of Aldermen are monitoring the collections on a periodic basis.

Disbursements - General

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Response: Management provided a listing of disbursements.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

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

Response: There were 12 of 30 transactions that were not initiated using the purchase order.

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

Response: There were 10 of 30 transactions that were initiated and approved by the same person.

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

Response: There were 10 of 30 transactions that were processed without an approved purchase order, a receiving report, or an approved invoice.

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

Response: There is no policy on adding vendors to the entity's purchasing/disbursement system.

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

Response: Mayor has signatory authority and makes final authorizations for disbursements, but he did initiate and approve 3 of the transactions tested.

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

Response: Supply of unused checks are locked in safe; however, the Mayor and Clerk have signatory authority and have access to the safe.

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

Response: No signature stamp or machine is used.

Exception: See above responses.

Management's Response: The Village will amend its written policy and procedures on disbursements to include information on adding vendors and on the same person not initiating and approving transactions. Management will review the procedures on those who maintain the supply of unused checks and have signatory authority to determine better segregation of duties.

Credit Cards

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

Response: Management provided a listing of credit cards, bank debit cards, fuel cards, and P-cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

a. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Response: On two of the six cards, there was no review or approval in writing by someone other than the authorized card holder.

b. Report whether finance charges and/or late fees were assessed on the selected statements.

Response: There were no finance charges or late fees on any of the selected statements.

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

a. For each transaction, report whether the transaction is supported by:

i. An original itemized receipt (i.e., identifies precisely what was purchased)

Response: For each of the statements, all invoices were attached.

ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Response: For one credit card, purchase orders were only provided for three of 14 purchases. For meals, individual names were not provided.

iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Response: No other documentation is required.

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

Response: No exceptions to the policy or the Louisiana Public Bid Law.

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

Response: No payments were made that would violate Article 7, Section 14 of the Louisiana Constitution.

Exception: See above responses.

Management's Response: The Village will amend its written policy and procedures on credit card purchases to insure that all purchases follow the purchase order procedures and approval by someone other than the card holder.

Travel and Expense Reimbursement

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

Response: Management provided a listing of travel and related expense reimbursements.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Response: No written policy on travel and expense reimbursement.

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

a. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Response: No written policy on travel and expense reimbursement. There were no per diem amounts for meals or lodging, but the IRS mileage rate of \$0.54 was used to pay mileage.

b. Report whether each expense is supported by:

i. An original itemized receipt that identifies precisely what was purchased.

Response: An original itemized receipt was available for each expense.

ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Response: For 14 of the 17 purchases, there was no documentation of the business/public purpose.

iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Response: No other documentation is required.

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

Response: One employee incurred charges for more than one person. The employee was informed that a spouse's expenses were not to be covered by the Village.

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

Response: We reviewed the expenses of two elected official and those transactions were not approved. One other employee was reviewed and no travel and expense transactions were approved.

Exception: See above responses.

Management's Response: The Village will develop a written policy and procedures on travel and expense reimbursement.

Contracts

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

Response: Management provided a listing of contracts.

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

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

Response: The Village had two written contracts.

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

Response: The Village had no contracts that were subject to public bid law or procurement code.

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

Response: Not applicable.

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

Response: There was no documentation showing the Village solicited quotes for either contract.

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

Response: There were no amendments to either contract.

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

Response: On one contract, the related payment did not match the contract terms; however, the payment was for two periods instead of one.

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

Response: There was no indication in the meeting minutes of the Board of Aldermen approval.

Exception: See above responses.

Management's Response: The Village will develop a written policy and procedures for entering into and executing contracts.

Payroll and Personnel

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

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

Response: The Village provided a list of employees and related salaries/hourly rate. There is no formal pay structure or employment contract.

b. Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Response: Pay rate changes are adjusted in the budget that the Board of Aldermen approve annually. There are no other changes throughout the year.

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

Response: The Village of Hodge does not have documented leave records showing sick time or vacation time accumulated/used. Attendance records are kept showing time daily that are approved by supervisors before paychecks are written.

a. Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Response: We reviewed 20 employee timesheets, and all employees documented their daily attendance.

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

Response: We reviewed 20 employee timesheets, and all timesheets were approved by the supervisor in writing.

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

Response: The Village did not maintain written leave records.

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

Response: Per discussion with management and review of payroll records, there were no termination payments.

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

Response: All payroll taxes and retirement contributions and reporting forms were submitted to the applicable agencies in a timely manner.

Exception: See above responses.

Management's Response: The Village will develop a written payroll and personnel policy and procedures, including a formal pay rate structure, leave (vacation/sick time) policy and procedure, and termination procedures. The Village will develop and maintain leave records for all employees.

Ethics

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

Response: Ethics training was only completed by the Clerk, the Assistant Clerk, and the Police Chief.

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

Response: Per discussion with management, there were no alleged ethics violations reported.

Exception: See above responses.

Management's Response: The Village will have all employees complete the one hour ethics training available to all governmental entities. Records of this training will be kept in the personnel files.

Debt Service

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

Response: Not applicable.

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

Response: Not applicable.

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

Response: Not applicable.

Other

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

Response: Per discussion with management, there were no misappropriations of public funds or assets.

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

Response: We observed the notice posted in the Village Hall.

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

Response: We did not observe any other exceptions regarding management's representations in the procedures above.

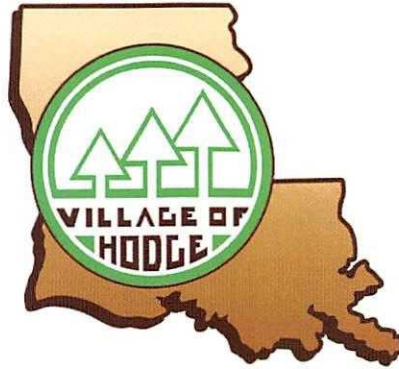
We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures,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

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

Kenneth D. Follen & Co., CPAs

Jonesboro, Louisiana
November 30, 2017

(318) 259-4704 - PH
(318) 259-6670 - FAX



4693 QUITMAN HWY.
P.O. BOX 280
HODGE, LA 71247

GERALD T. PALMER
MAYOR

November 30, 2017

Kenneth D. Folden & Co., CPAs
302 Eighth Street
Jonesboro, Louisiana

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period July 1, 2016 through June 30, 2017, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; disbursements; credit/debit/fuel/purchasing cards; travel and expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas as applicable.

Yes ☒ No ☐
2. For the fiscal period July 1, 2016 through June 30, 2017, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes ☒ No ☐
3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes ☒ No ☐
4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes ☒ No ☐

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between June 30, 2017, and October 20, 2017.

Yes ☒ No ☐

6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.

Yes ☒ No ☐

7. We represent that the listing of bank accounts provided to you is complete.

Yes ☒ No ☐

8. We represent that the listing of cash/check/money order (cash) collection locations provided to you is complete.

Yes ☒ No ☐

9. We represent that the listing of entity disbursements or the general ledger population of entity disbursements provided to you is complete.

Yes ☒ No ☐

10. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards, provided to you is complete.

Yes ☒ No ☐

11. We represent that the listing of all travel and related expense reimbursements, by person, during the fiscal period or the general ledger population of travel and related expense reimbursements provided to you is complete.

Yes ☒ No ☐

12. We represent that the listing of all contracts in effect during the fiscal period or the general ledger population of contract payments provided to you is complete.

Yes ☒ No ☐

13. We represent that the listing of employees (and elected officials, if applicable) with their related salaries provided to you is complete.

Yes ☒ No ☐

14. We represent that the listing of employees (and elected officials, if applicable) that terminated during the fiscal period provided to you is complete.

Yes ☒ No ☐

15. We have disclosed to you other data you deemed necessary to complete SAUPs.

Yes ☒ No ☐

16. We have responded fully to all inquiries made by you during the engagement.

Yes ☒ No ☐


17. We are not aware of any events that have occurred subsequent to June 30, 2017, that would require adjustment to or modification of the results of the agreed-upon procedures.

Yes ☒ No ☐

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

Signature  Date 11/30/2017

Title Mayor

Signature  Date 11/30/2017

Title Clerk