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VILLAGE OF HODGE
Hodge, Louisiana

General Purpose Financial Statements
As of and for the Two Years Ended June 30, 1999

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

Release Date APR 26 2000

KENNETH D. FOLDEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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**VILLAGE OF HODGE, LOUISIANA
FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999**

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INDEPENDENT AUDITORS' REPORT

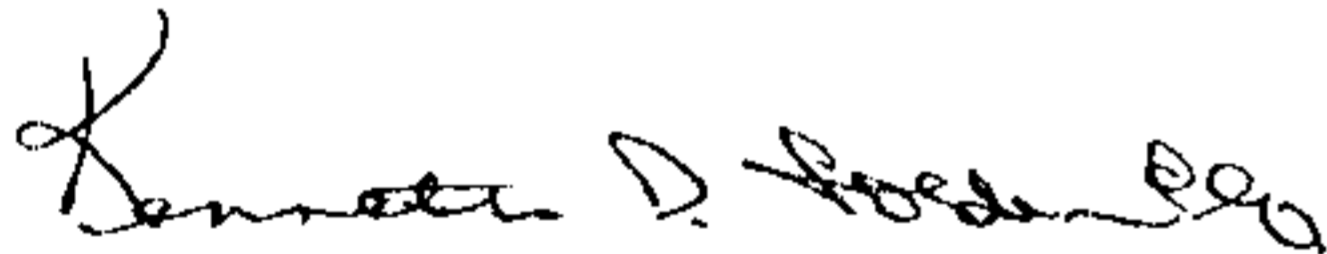
Honorable Quenton Causey, Mayor
and Board of Aldermen
Village of Hodge
Hodge, Louisiana 71247

We were engaged to audit the accompanying general purpose financial statements of the Village of Hodge, Louisiana, as of and for the two years ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Hodge, Louisiana, management.

We were unable to obtain the audited financial statements supporting the financial activities of the Village of Hodge, Louisiana, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities are included in the Governmental Fund Type, Proprietary Fund Type and General Fixed Assets Account Group and represent 100 percent and 100 percent of the assets and revenues, respectively, of the Governmental Fund Type, Proprietary Fund Type and General Fixed Assets Account Group.

Since we did not audit the financial statements of the Village of Hodge referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these general purpose financial statements.

Sincerely,



KENNETH D. FOLDEN & CO.
Certified Public Accountants

Jonesboro, Louisiana
March 16, 2000

VILLAGE OF HODGE
Hodge, Louisiana

Statement A

ALL FUND TYPES AND ACCOUNT GROUP
COMBINED BALANCE SHEET, JUNE 30, 1999

	Governmental Fund Type	Proprietary Fund Type	Account Group	
	General Fund	Enterprise Fund	General Fixed Assets	Total (Memorandum Only)
ASSETS				
Cash	\$ 211,051	\$ 14,035		\$ 225,086
Receivables	63,681	1,071		64,752
Prepaid insurance	8,525	1,303		9,828
Restricted assets - cash		15,956		15,956
Land, buildings and equipment (Net, where applicable, of accumulated depreciation)		314,608	791,899	1,106,507
Total Assets	\$ 283,257	\$ 346,973	\$ 791,899	\$ 1,422,129
LIABILITIES:				
Accounts payable	\$ 6,620	\$ 290		\$ 6,910
Payroll taxes & deductions payable	9,730			9,730
Sales tax payable	990			990
Payable from restricted assets customer deposits		15,956		15,956
Total Liabilities	17,340	16,246	NONE	33,586
EQUITY				
Contributed capital		139,432		139,432
Investment in general fixed assets			791,899	791,899
Retained earnings - Unreserved		191,295		191,295
Fund balances - Unreserved and undesignated	265,917			265,917
Total Equity	265,917	330,727	791,899	1,388,543
Total Liabilities and Equity	\$ 283,257	\$ 346,973	\$ 791,899	\$ 1,422,129

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

VILLAGE OF HODGE
Hodge, Louisiana
GOVERNMENTAL FUND TYPE - GENERAL FUND

Statement B

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes -			
Ad valorem	\$ 113,000	\$ 114,321	\$ 1,321
Franchise	1,200	641	(559)
Sales	330,000	363,908	33,908
Licenses and permits -			
Occupational licenses	1,475	11,766	10,291
Intergovernmental -			
Alcoholic beverage tax			
Fire insurance rebate	2,700	2,752	52
Tobacco tax	2,000	2,279	279
Police supplemental pay	14,000	14,400	400
Fees and charges - garbage fees	5,300	5,611	311
Fines and forfeitures	6,000	6,424	424
Use of money and property	3,300	3,472	172
Service to others	45,000	24,014	(20,986)
Miscellaneous		562	562
Total Revenues	<u>523,975</u>	<u>550,150</u>	<u>26,175</u>
EXPENDITURES			
General and administrative	104,025	94,658	9,367
Fire department	33,350	16,771	16,579
Police department	215,025	175,172	39,853
Sanitation department	19,350	29,813	(10,463)
Service to others	41,000	44,701	(3,701)
Street department	262,117	145,689	116,428
Total Expenditures	<u>674,867</u>	<u>506,804</u>	<u>168,063</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	(150,892)	43,346	194,238
OTHER FINANCING SOURCES (USES)			
Operating transfer to other funds	(80,000)	(67,310)	12,690
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(67,310)</u>	<u>12,690</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES			
OVER (UNDER) EXPENDITURES AND OTHER USES	(230,892)	(23,964)	206,928
FUND BALANCE - BEGINNING	<u>230,892</u>	<u>289,881</u>	<u>58,989</u>
FUND BALANCE - ENDING	<u>NONE</u>	<u>\$ 265,917</u>	<u>\$ 265,917</u>

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

VILLAGE OF HODGE
Hodge, Louisiana

Statement C

GOVERNMENTAL FUND TYPE - GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes -			
Ad valorem	\$ 115,000	\$ 133,916	\$ 18,916
Franchise	1,500	2,234	734
Sales	330,000	382,818	52,818
Licenses and permits -			
Occupational licenses	1,400	5,305	3,905
Intergovernmental -			
Fire insurance rebate		2,713	2,713
Tobacco tax	2,000	3,039	1,039
Police supplemental pay	9,500	14,034	4,534
Fees and charges - garbage fees	5,350	5,144	(206)
Fines and forfeitures	6,000	7,112	1,112
Use of money and property	3,200	3,834	634
Service to others	52,000	25,670	(26,330)
Miscellaneous		176	176
Total Revenues	525,950	585,995	60,045
EXPENDITURES			
General and administrative	124,625	94,344	30,281
Fire department	45,525	15,166	30,359
Police department	235,850	187,492	48,358
Sanitation department	58,000	12,557	45,443
Service to others	41,000	17,620	23,380
Street department	149,200	139,188	10,012
Total Expenditures	654,200	466,367	187,833
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(128,250)	119,628	247,878
OTHER FINANCING SOURCES (USES)			
Operating transfer to other funds	(146,548)	(165,938)	(19,390)
Total Other Financing Sources (Uses)	(146,548)	(165,938)	(19,390)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(274,798)	(46,310)	228,488
FUND BALANCE - BEGINNING	279,841	336,191	56,350
FUND BALANCE - ENDING	\$ 5,043	\$ 289,881	\$ 284,838

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

VILLAGE OF HODGE
Hodge, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999 AND 1998

Statement D

	1999	1998
OPERATING REVENUES		
Water sales	\$ 8,988	\$ 8,647
Sewer sales	4,314	4,168
Delinquent charges	100	178
Total Operating Revenues	13,402	12,993
OPERATING EXPENSES		
Depreciation	6,436	6,436
Insurance		581
Office supplies	3,927	184
Outside services	35	
Purchased utilities	2,550	2,550
Capital outlay	52,386	130,935
System repair and maintenance	13,573	13,783
System supplies and expense	7,751	16,777
Workmen's compensation	2,303	2,686
Total Operating Expenses	36,575	42,997
OPERATING LOSS	(23,173)	(30,004)
NON-OPERATING REVENUE - INTEREST INCOME	623	620
TRANSFERS FROM GENERAL FUND	67,310	165,938
NET PROFIT (LOSS)	44,760	136,554
RETAINED EARNINGS - BEGINNING	15,600	9,981
RETAINED EARNINGS - ENDING	\$ 60,360	\$ 146,535

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

VILLAGE OF HODGE
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENT OF CASH (AND CASH EQUIVALENTS) FLOWS
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999 AND 1998

Statement E

	1999	1998
Cash flows from operating activities:		
Net income (loss)	\$ 44,760	\$ 136,554
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	6,436	6,436
(Increase) decrease in:		
Accounts receivable	(12)	353
Prepaid insurance	(302)	1,267
Restricted assets	150	1,070
Increase (decrease) in:		
Accounts payable	(117)	(11,387)
Customer deposits	(150)	(1,070)
Accrued liabilities		(444)
Net cash provided by operating activities	50,765	132,779
 Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(52,386)	(130,935)
 Net cash increase (decrease) for the year	(1,621)	1,844
Cash at beginning of year (unrestricted)	15,656	13,812
 Cash at end of year (unrestricted)	\$ 14,035	\$ 15,656

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

**VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999**

INTRODUCTION

The Village of Hodge was incorporated under the Lawrason Act January 31, 1928. The Village operates under a Mayor - Board of Aldermen form of government. The Village is located in Jackson Parish, Louisiana.

The accounting and reporting policies of the Village of Hodge conform to generally accepted accounting principles as applied to governmental units. The accounting and reporting procedures conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Based upon standards for defining and reporting on the financial reporting entity, the Village of Hodge is a primary government. Component units can be identified by financial accountability and whether exclusion would create misleading or incomplete financial statements. Based on this criteria, the financial statements of the Combined Utility System (Electric, Water and Sewer) of the Village of Hodge and the related assets and liabilities for the two calendar years ended December 31, 1998, have not been included in the accompanying financial report. The Combined Utility System is operated by the Hodge Utility Operating Company, a Louisiana Corporation, under agreement dated March 1, 1972, between the Village of Hodge and the Hodge Utility Operating Company.

The Enterprise (Water and Sewer) Fund included in this report consists of water and sewer income and expenses incurred by the Village of Hodge for the operation of that portion of the utility system within the corporate limits of the Village. The Village pays an annual fee to the Combined Utility System Trustee for use of these facilities.

B. Fund Accounting

The accounts of the Village of Hodge are organized on the basis of funds and account groups, 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, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories and two generic fund types as follows:

Governmental Funds-

General Fund

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

VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (continued)
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds-

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operating in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided 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.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

D. Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers all governmental revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

Those revenues susceptible to accrual are intergovernmental revenues, taxes, charges for services, franchise fees, interest and taxes collected locally. Fines, occupational licenses and other miscellaneous income are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary fund types follow generally accepted accounting principles prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 31, 1989.

VILLAGE OF HODGE
Hodge, Louisiana
NOTES TO FINANCIAL STATEMENTS (continued)
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets

Budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP). Budgets are made available for public inspection at the time of adoption. The Board of Aldermen must meet and approve all budget changes or amendments. At year end, all appropriations lapse. Budget amounts for the two years ended June 30, 1999, are as originally adopted.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Hodge.

G. Prepaid Insurance

Payments made to insurance companies for insurance coverage that will benefit periods beyond June 30, 1999, are recorded as prepaid items in the asset section of the balance sheet.

H. Restricted Assets

The "customer deposit" account is used to report proceeds from customers' meter deposits. A corresponding liability is presented to record these funds held by the enterprise fund.

I. Use of Estimates

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

J. Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated cost if historical cost is not available.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds, net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation is computed using the straight-line method. The fixed assets recorded in the proprietary fund have estimated useful lives of five (5) to forty (40) years.

VILLAGE OF HODGE
Hodge, Louisiana
NOTES TO FINANCIAL STATEMENTS (continued)
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in short-term time deposits. Under state law, the Village of Hodge may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Village of Hodge may invest in United States bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At June 30, 1999, the Village of Hodge had no investments.

L. Compensated Absences

Employees earn from one week to three weeks of vacation leave annually, depending upon length of service; vacation leave does not accumulate. Employees earn from one week to six weeks of sick leave annually, depending upon length of service; sick leave does not accumulate. The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental funds when leave is actually taken.

M. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

At June 30, 1999, the Village of Hodge has cash and cash equivalents (book balances) totaling \$225,086 unrestricted and \$15,956 restricted as follows:

Demand Deposits	\$ 240,673
Petty cash	<u>371</u>
Total	<u>\$ 241,044</u>

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1999, the Village of Hodge has \$194,844 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$248,438 pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

VILLAGE OF HODGE
Hodge, Louisiana
NOTES TO FINANCIAL STATEMENTS (continued)
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999

2. CASH AND INVESTMENTS (continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities with 10 days of being notified by the Village of Hodge that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The receivables at June 30, 1999, consisted of the following:

	General	Enterprise	Total
Taxes:			
Ad valorem	\$ 2,062		\$ 2,062
Sales and use	60,859		60,859
Accounts		1,071	1,071
Intergovernmental	760		760
Total	\$ 63,681	\$ 1,071	\$ 64,752

4. AD VALOREM TAXES

Taxes are levied on a calendar year basis and are due on December 31. The Village bills and collects its own Ad Valorem taxes. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage
For the year ended June 30, 1999	6.9	6.9
For the year ended June 30, 1998	6.9	6.9

5. RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 1999:

Customers' deposits	<u>\$ 15,956</u>
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VILLAGE OF HODGE
Hodge, Louisiana
NOTES TO FINANCIAL STATEMENTS (continued)
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999

6. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance at July 1, 1997	Additions	Deletions	Balance at June 30, 1998
Land	\$ 9,791			\$ 9,791
Buildings	184,411			184,411
Other improvements	63,625			63,625
Equipment	471,718	48,773	1,084	519,407
Total General Fixed Assets	\$ 729,545	\$ 48,773	\$ 1,084	\$ 777,234

	Balance at July 1, 1998	Additions	Deletions	Balance at June 30, 1999
Land	\$ 9,791			\$ 9,791
Buildings	184,411			184,411
Other improvements	63,625	574		64,199
Equipment	519,407	14,091		533,498
Total General Fixed Assets	\$ 777,234	\$ 14,665	NONE	\$ 791,899

The additions for the year ended June 30, 1998, consist of \$23,711 of capital outlay expenditures and a \$25,062 item which was not shown in prior audit.

7. SALES AND USE TAX LEVY

The Village was authorized in 1983 to levy a 1% sales and use tax for the purpose of providing funds for any lawful corporate purpose for an undefined period of time. The tax was first levied on December 1, 1983.

8. ECONOMIC DEPENDENCY

The Village of Hodge is economically dependent upon Stone Container Corporation, which provides the majority of property tax and sales tax revenue for the Village. There were no receivables at June 30, 1999, for taxes due from Stone Container.

9. PENSION PLANS

All full-time employees of the Village of Hodge participate in either the Municipal Employees' Retirement System, State of Louisiana (MERS) or the Municipal Police Employees' Retirement System, State of Louisiana (MPERS), both of which are cost-sharing, multiple-employer public employee retirement systems. The MERS and the MPERS provide retirement benefits, survivor benefits, deferred retirement option plan (DROP) benefits and disability benefits.

The MERS was established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes. It is comprised of two plans, Plan A and Plan B. There are no Village employees participating in Plan A. Members are eligible for vesting under Plan B after a minimum of ten years of creditable service. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees' Retirement System, 9401 United Plaza Boulevard, Room 270, Baton Rouge, Louisiana 70809-7017, or by calling (504) 929-7411.

VILLAGE OF HODGE
Hodge, Louisiana
NOTES TO FINANCIAL STATEMENTS (continued)
AS OF AND FOR THE TWO YEARS ENDED JUNE 30, 1999

9. PENSION PLANS (Continued)

Benefit provisions for MPERS are authorized within Act 189 of 1973 and amended by the LS 11:2233. Members are eligible for vesting after a minimum of twelve years of creditable service. The Municipal Police Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Municipal Police Employees' Retirement System, 6750 Van Gogh Avenue, Baton Rouge, Louisiana 70806-2798, or by calling (504) 929-4810.

Member contribution rates are established by statute as percentage of earnable compensation for each system. For the year ended June 30, 1999 and 1998, the member contribution rate for the MERS under Plan B was 5% and for the MPERS was 7.5%. Both systems receive employer contributions that are determined according to actuarial requirements and are set annually. The employer contribution rate for the year ended June 30, 1999 and 1998, for MERS was 3.75% and 2.75%, respectively, and for MPERS was 9% of covered payroll.

The Village's contributions to MERS and MPERS made for the year ended June 30 1999 and 1998, for the MERS was \$2,296 and \$1,744, respectively, and for the MPERS was \$4,870 and \$4,644, respectively, equal to the required contributions for each year.

10. RELATED PARTY TRANSACTIONS

Since the mayor and mayor pro-tem serve on the Board of Directors of the Hodge Utility Operating Company ("operating Company"), the Operating Company is considered to be a related party. During the year ended June 30, 1999 and 1998, revenues received by the general fund from the Operating Company were \$24,014 and \$25,670, respectively, and expenses paid from the enterprise fund to the Operating Company were \$2,550 for each year.

11. LITIGATION AND CLAIMS

The Village of Hodge is not involved in any litigation at June 30, 1999.

12. SUBSEQUENT EVENTS

On January 20, 2000, the Hodge Police Department arrested the former Village Clerk for allegedly embezzling Village of Hodge monies. Currently, the Legislative Auditor's Office is conducting an audit to determine the truth of that assertion.

VILLAGE OF HODGE
Hodge, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
For the Two Years Ended June 30, 1999

GENERAL

COMPENSATION PAID ALDERMEN

The schedule of compensation paid to the Village of Hodge aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the Village of Hodge aldermen is included in the general administrative expenditures of the General Fund. Members of the governing board receive compensation pursuant to Louisiana Revised Statute 33:405 (G).

VILLAGE OF HODGE
Hodge, Louisiana

Schedule of Compensation Paid Aldermen
For the Two Years Ended June 30, 1999

ALDERMEN	1999	1998
Jimmy Culpepper	\$ 3,000	\$ 3,000
Leon Knox, Jr.	3,000	3,000
Carla Smith	3,000	3,000
Total	<u>\$ 9,000</u>	<u>\$ 9,000</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Quenton Causey, Mayor
and Board of Aldermen
Village of Hodge
Hodge, Louisiana 71247

We were engaged to audit the general purpose financial statements of the Village of Hodge, Louisiana, as of and for the two years ended June 30, 1999, and have issued our report thereon dated March 16, 2000, which was a disclaimer of opinion because insufficient audit evidence exists to support the Village of Hodge's financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

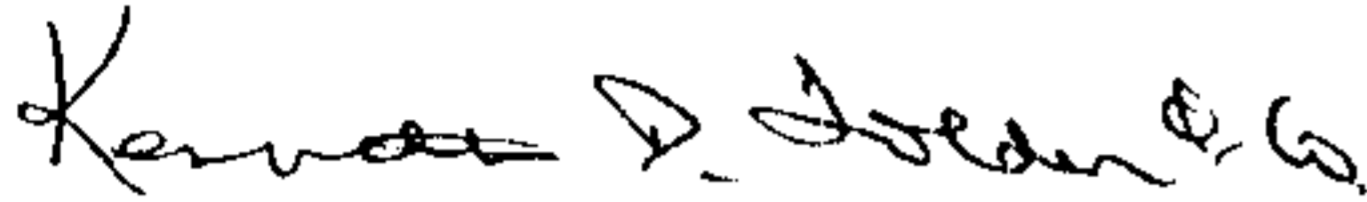
As part of obtaining reasonable assurance about whether the Village of Hodge, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items #1991-1 and #1999-2. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village of Hodge, Louisiana, in a separate letter dated March 16, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Hodge, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village of Hodge, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item #1999-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable condition described above, we considered item #1999-3 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Hodge, Louisiana, in a separate letter dated March 16, 2000.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.



KENNETH D. FOLDEN & CO.

Certified Public Accountants

Jonesboro, Louisiana

March 16, 2000

**VILLAGE OF HODGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TWO YEARS ENDED JUNE 30, 1999**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a disclaimer of opinion on the general purpose financial statements of the Village of Hodge.
2. Three reportable conditions relating to the audit of the general purpose financial statements are reported in the **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**.
3. Two instances of noncompliance material to the financial statements of the Village of Hodge were disclosed during the audit.
4. The Village of Hodge had no material federal award programs.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

#1999-1 Timeliness of audit:

Louisiana Revised Statute (LSA-RS) 24:513 requires that an audit must be completed and submitted to the Legislative Auditor's Office within six months of the close of the entity's fiscal year. As the Village of Hodge's fiscal year ended on June 30, 1999, the completed audit should have been submitted by December 31, 1999. Based on instructions of the Village of Hodge's management, we did not start our audit until January 13, 2000. This results in the audit report not being submitted within the six months as required by LSA-RS 24:513.

We recommend that the Village of Hodge comply with LSA-RS 24:513 in the future.

In a letter dated April 20, 2000, the management of the Village of Hodge stated that future audits would be completed and submitted in compliance with LSA-RS 24:513.

#1999-2 General Fixed Assets:

A master file of the general fixed assets was not maintained, nor was a complete physical inventory of the general fixed assets taken during our audit period. LSA-RS 39:321-332 requires the maintenance of a master file containing information pertaining to description of property, cost of property, location of property, and description and location of identification mark on property. Additionally, a complete physical inventory of the property is required once each fiscal year. Because of the failure to maintain adequate records, the general fixed assets could not be audited.

We recommend that the Village of Hodge comply with LSA-RS 39:321-332.

In a letter dated April 20, 2000, the management of the Village of Hodge stated that a physical inventory will be taken prior to June 30, 2000. In addition, a master file would be maintained in the future.

#1999-3 Accounting system

In our professional opinion, the Village of Hodge does not have enough personnel involved in the accounting system to have an adequate separation of duties for internal control. Because of the limited number of employees involved, there may not be adequate procedures to ensure that all monies received by the Village of Hodge are being deposited. This situation could result in possible misappropriation of monies. On January 20, 2000, the former Village Clerk was arrested by the Hodge Police Department for possible embezzlement. The Legislative Auditor's Office is currently conducting an investigated audit upon this matter to determine the truth of this assertion.

We recommend that the Village of Hodge revised their accounting system to provide for an adequate separation of duties for internal control.

In a letter dated April 20, 2000, the management of the Village of Hodge stated that an additional office position has been established to aid in their internal control structure.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

The Village of Hodge had no major federal award program.

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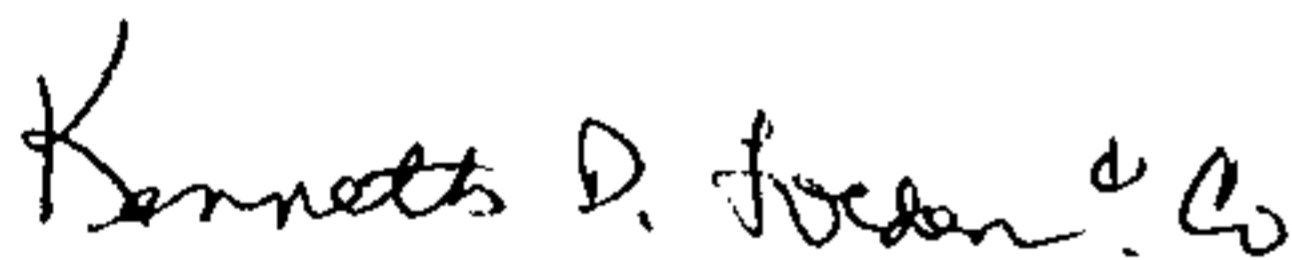
Honorable Quenton Causey, Mayor
And Board of Aldermen
Village of Hodge
Hodge, Louisiana 71247

In planning and performing our audit of the general purpose financial statements of the Village of Hodge, as of and for the two years ended June 30, 1999, and to obtain reasonable assurances about whether the financial statements are free of material misstatement, we considered the following:

- 1.) The internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure; and,
- 2.) As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Hodge's compliance with certain provisions of laws, regulations and contracts. The objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we did not express such an opinion.

During our audit, we became aware of certain matters involving immaterial noncompliance with laws and matters disclosed in the audit report, as of and for the two years ended June 30, 1999, involving the internal control structure that were opportunities for strengthening internal controls and compliance requirements. The memorandum that accompanies this letter summarizes our comments regarding those matters. (We previously reported on the Village of Hodge's compliance and internal control structure in our report dated March 16, 2000.) This letter does not affect our report dated March 16, 2000, on the general purpose financial statements of the Village of Hodge.

Sincerely,



KENNETH D. FOLDEN & CO.
Certified Public Accountants

Jonesboro, Louisiana
March 16, 2000

Budgets

The Village of Hodge failed to comply with the following provisions of the Louisiana Revised Statutes (LSA-RS) 39:1301-14 as they relate to the Local Government Budget Act:

- 13. Submission of the proposed budget - For the fiscal years ending June 30, 1999 and June 30, 1998, the proposed budgets were not submitted to the Board of Aldermen and made available for public inspection in accordance with LSA-RS 39:1305. LSA-RS 39:1305 requires that a proposed budget shall be completed and submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the fiscal year.**
- 14. Public participation - For the year ended June 30, 1999, an advertisement was published on July 2, 1998 indicating that a public hearing would be held on July 7, 1998. This notice contained the date, time, and place of the public hearing, but it was only published 5 days prior to the public hearing. For the year ended June 30, 1998, no documentation was provided to indicate that an advertisement was published that included the date, time, and place of the public hearing on the budget. LSA-RS 39:1306 states that a notice shall be published stating the date, time, and place of the public hearing on the budget; this notice to be published at least ten days prior the date of the public hearing.**
- 15. Adoption - For the fiscal years ending June 30, 1999 and June 30, 1998, the General Fund budget was adopted after the beginning of the appropriate fiscal year. For the year ended June 30, 1999, the General Fund budget was adopted on July 7, 1998. For the year ended June 30, 1998, the General Fund budget was adopted on July 1, 1997. LSA-RS 39:1308 states that the budget shall be adopted prior to the beginning of the fiscal year.**

We recommend that the Village of Hodge comply with the provisions of LSA-RS 39:1305-1308.

In a letter dated April 20, 2000, the management of the Village of Hodge agreed with the finding. Management stated that future budgets would comply with the provisions of LSA-RS 39:1305-1308.

Invoices

- 1. Approximately 35% of the invoices selected in our test of disbursements did not have adequate documentation to support the disbursements. LSA-RS 44:1, 44:7, 44:31, and 44:36 requires that all non-exempt government records should be retained for three years.**
- 2. Approximately 46% of the invoices selected in our test of disbursements did not have a notation indicating that either the items were received or that the services were performed. Good business practice requires that invoices should have such notation to ensure that items were received or that services were performed.**
- 3. Approximately 51% of the invoices selected in our test of disbursements were not marked as canceled. Good business practice requires that invoices should be marked as paid to aid in preventing duplicate payments.**

We recommend that the Village of Hodge personnel should maintain their invoices for the required time period, should make a notation indicating the receipt of goods or that services were performed, and should also mark their invoices as paid.

In a letter dated April 20, 2000, the management of the Village of Hodge stated that procedures would be implemented immediately to ensure that all invoices are maintained, have notations showing the receipt of the items or that the services were performed, and are marked as paid.

Bids

Our tests revealed two instances where adequate documentation was not available to support bids from the Enterprise Fund. The Village of Hodge failed to maintain its bid documentation as required by LSA-RS 3822:12 as follows: (1) In 1998, the Village of Hodge performed a \$100,070 improvement to its water main. The improvement consisted of a \$75,932 original contract and a \$24,138 change order. Only the written bids for the original contract were available for inspection; no documentation was presented to show that the improvement was advertised for bids nor that the change order was approved. (2) In 1999, the Village of Hodge had another \$21,220 improvement to its water system. The advertisement for this improvement could not be located; the bids pertaining to the improvement were not available for inspection.

We recommend that the Village of Hodge comply with all of the provisions of Louisiana Revised Statute 39:3822:12.

In a letter dated April 20, 2000, the management of the Village of Hodge agreed with the finding. Management stated that the person responsible for maintaining the above bid documentation is no longer employed by the Village of Hodge. Management stated that new procedures would be implemented to ensure that future documentation complies with LSA- RS 39:3822:12.

Interest-bearing Accounts:

Not all of the five checking accounts that the Village of Hodge maintains are interest-bearing. The two operating accounts of the General Fund and the Enterprise Fund are not interest-bearing. At June 30, 1999, the General Fund's account had a bank balance of \$11,854 and the Enterprise Fund's account had a bank balance of \$6,688. LSA-RS 33:2955 states that municipalities are directed to invest such monies in any general fund or special fund as determined to be available for investment.

We recommend that the Village of Hodge comply with LSA-RS 39:2955 in the future.

In a letter dated April 20, 2000, the management of the Village of Hodge stated that the two cited checking accounts are now interest-bearing.

Prior Year Findings

None.