

**VILLAGE OF HODGE**  
**Hodge, Louisiana**

**General Purpose Financial Statements**  
**As of and for the Year Ended June 30, 2003**

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 3-31-04

**TAMI D. LEDBETTER, CPA, LLC**

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VILLAGE OF HODGE, LOUISIANA  
FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003

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# TAMI D. LEDBETTER, CPA, LLC

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## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general purpose financial statements of the Village of Hodge, Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of management of the Village of Hodge, Louisiana. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Hodge, Louisiana, as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated March 15, 2004, on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Hodge. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

  
Tami D. Ledbetter, CPA, LLC

March 15, 2004

VILLAGE OF HODGE  
Hodge, Louisiana

Statement A

ALL FUND TYPES AND ACCOUNT GROUP  
COMBINED BALANCE SHEET, JUNE 30, 2003

	Governmental Fund Type	Proprietary Fund Type	Account Group	Total (Memorandum Only)
	General Fund	Enterprise Fund	General Fixed Assets	
<b>ASSETS AND OTHER DEBITS</b>				
Cash	\$ 693,913	\$ 4,306		\$ 698,219
Receivables	72,307	1,323		73,630
Restricted assets - cash		30,671		30,671
Land, buildings and equipment (Net, where applicable, of accumulated depreciation)		278,632	873,629	1,152,261
<b>Total Assets and Other Debits</b>	<b>\$ 766,220</b>	<b>\$ 314,932</b>	<b>\$ 873,629</b>	<b>\$ 1,954,781</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 12,198	\$ 3,152		\$ 15,350
Payroll taxes & deductions payable	1,989			1,989
Sales tax payable		988		988
Payable from restricted assets: customer deposits		29,843		29,843
<b>Total Liabilities</b>	<b>14,187</b>	<b>33,983</b>		<b>48,170</b>
<b>EQUITY AND OTHER CREDITS</b>				
Contributed capital		139,433		139,433
Investment in general fixed assets			873,629	873,629
Retained earnings - Unreserved		141,516		141,516
Fund balances - Unreserved and undesignated	752,033			752,033
<b>Total Equity and Other Credits</b>	<b>752,033</b>	<b>280,949</b>	<b>873,629</b>	<b>1,906,611</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ 766,220</b>	<b>\$ 314,932</b>	<b>\$ 873,629</b>	<b>\$ 1,954,781</b>

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

VILLAGE OF HODGE

Statement B

Hodge, Louisiana

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, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes -			
Ad valorem	\$ 125,000	\$ 147,864	\$ 22,864
Franchise	1,200	2,578	1,378
Sales	350,000	340,303	(9,697)
Licenses and permits -			
Occupational licenses	10,000	21,815	11,815
Intergovernmental -			
State - tobacco tax	2,200		(2,200)
State - supplemental pay	13,500	8,420	(5,080)
Parish - Fire insurance rebates and parish fire grant	6,250	2,955	(3,295)
Fees and charges	3,700	10,840	7,140
Fines and forfeitures	18,000	50,600	32,600
Use of money and property	8,200	8,963	763
Service to others	35,000	42,629	7,629
Rent and royalties		4,660	4,660
<b>Total Revenues</b>	<b>573,050</b>	<b>641,627</b>	<b>68,577</b>
<b>EXPENDITURES</b>			
General and administrative	143,488	130,812	12,676
Fire department	18,930	15,731	3,199
Police department	215,675	186,068	29,607
Sanitation department	29,725	21,313	8,412
Street department	149,750	113,625	36,125
Service to others - HUOC	18,000	24,439	(6,439)
Capital outlay - all departments	82,500	47,875	34,625
<b>Total Expenditures</b>	<b>658,068</b>	<b>539,863</b>	<b>118,205</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(85,018)</b>	<b>101,764</b>	<b>186,782</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer to Water and Sewer Fund		(5,562)	(5,562)
Sale of fixed assets		1,100	1,100
<b>Total Other Financing Sources (Uses)</b>		<b>(4,462)</b>	<b>(4,462)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(85,018)</b>	<b>97,302</b>	<b>182,320</b>
<b>FUND BALANCE - BEGINNING</b>	<b>256,699</b>	<b>654,731</b>	<b>398,032</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 171,681</b>	<b>\$ 752,033</b>	<b>\$ 580,352</b>

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

VILLAGE OF HODGE  
Hodge, Louisiana  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN RETAINED EARNINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b>OPERATING REVENUES</b>	
Water and sewer sales	\$ <u>18,718</u>
Total Operating Revenues	<u>18,718</u>
<b>OPERATING EXPENSES</b>	
Depreciation	10,853
Repairs and maintenance	35,353
Operating supplies	10,731
Purchased utilities	<u>2,550</u>
Total Operating Expenses	<u>59,487</u>
<b>OPERATING LOSS</b>	<b>(40,769)</b>
Non-operating Revenue - Interest Income	681
Transfers from General Fund	<u>5,562</u>
<b>NET INCOME (LOSS)</b>	<b>(34,526)</b>
<b>RETAINED EARNINGS - BEGINNING</b>	<u>176,042</u>
<b>RETAINED EARNINGS - ENDING</b>	<u><u>\$ 141,516</u></u>

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  
 FOR THE YEAR ENDED JUNE 30, 2003

Statement D

Cash flows from operating activities:		
Net income (loss)	\$	(34,526)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		10,853
(Increase) decrease in:		
Accounts receivable		(8)
Restricted assets		(1,369)
Increase (decrease) in:		
Customer deposits		930
Accrued liabilities		1,118
		<u>1,118</u>
Net cash provided (used) by operating activities		(23,002)
Cash flows from capital activities:		
Purchase of equipment		<u>(5,720)</u>
Net cash provided (used) by capital activities		(5,720)
Net increase (decrease) in unrestricted cash		(28,722)
Unrestricted cash at beginning of year		<u>33,028</u>
Unrestricted cash at end of year	\$	<u><u>4,306</u></u>

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

VILLAGE OF HODGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003

**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 Statute 24:517 and to the guidelines set forth in the Louisiana Municipal Audit and Accounting Guide, the industry audit guide, and 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 year ended December 31, 2002, 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.

**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.



VILLAGE OF HODGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (or decreases) 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.

E. BUDGETS

The Village uses the following budget practices:

The proposed budget for the fiscal year ended June 30, 2003, was made available for public inspection and published in accordance with law. The budget is legally adopted and amended, as necessary, by the Board of Aldermen. All appropriations lapse at year end. Budgeted amounts included in the accompanying financial statements 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.

VILLAGE OF HODGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003 (continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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.

I. 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.

J. 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, 2003, the Village had one certificate of deposit classified as investment.

K. 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.

L. 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.

VILLAGE OF HODGE, LOUISIANA  
 NOTES TO FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2003 (continued)

2. CASH AND INVESTMENTS

At June 30, 2003, the Village of Hodge had investments (in the form of a certificate of deposit), and cash and cash equivalents (book balances) totaling \$698,219 unrestricted and \$30,671 restricted as follows:

Demand deposits	\$	619,197
Certificate of deposit		109,167
Petty cash		526
Total	\$	728,890

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, 2003, the Village of Hodge had \$736,843 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$763,697 pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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 within 10 days of being notified by the Village of Hodge that the fiscal agent has failed to pay deposited funds upon demand.

3. 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, 2003	6.9	6.9

4. RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 2003:

Customers' deposits and interest	\$	30,671
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5. CHANGES IN GENERAL FIXED ASSETS

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

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
Land	\$ 9,791	\$	\$	\$ 9,791
Buildings	184,411			184,411
Other improvements	64,199			64,199
Equipment	567,353	47,875		615,228
Total General Fixed Assets	\$ 825,754	\$ 47,875		\$ 873,629

VILLAGE OF HODGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003 (continued)

6. 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.

7. ECONOMIC DEPENDENCY

The Village of Hodge is economically dependent upon Smurfit Stone Container Corporation, which provides the majority of property tax and sales tax revenue for the Village. There were no receivables at June 30, 2003, for taxes due from Smurfit Stone Container.

8. 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.

Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (MERS)

*Plan Description.* MERS 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 A.

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 MERS. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. MERS also provides death and disability benefits. Benefits are established or amended by state statute.

MERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That 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.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 6.25 percent of their annual covered salary and the Village is required to contribute at an actuarially determined rate. The current rate is 5.0 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village's contributions to MERS for the year ending June 30, 2003, was \$3,254 equal to the required contributions for the year.

VILLAGE OF HODGE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDING JUNE 30, 2003 (concluded)

8. PENSION PLANS (Continued)

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

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in MPERS. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. MPERS also provides death and disability benefits. Benefits are established or amended by state statute.

MPERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8550 United Plaza Boulevard, Suite 501, Baton Rouge, Louisiana 70809-0200, or by calling (225)929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Village is required to contribute at an actuarially determined rate. The current rate is 15.25 percent of annual covered payroll. The contribution requirements of plan members and the Village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village of Hodge's contributions to the System for the year ending June 30, 2003 were \$548, equal to the required contributions for the year.

9. RELATED PARTY TRANSACTIONS

Since the mayor and mayor pro-tem of the Village of Hodge serve on the Board of Directors of the Hodge Utility Operating Company (HUOC), HUOC is considered to be a related party. During the year ended June 30, 2003, revenues recorded as received by the general fund from HUOC were \$42,629 and expenditures paid from the general fund to HUOC were \$24,439 for the year.

10. LITIGATION AND CLAIMS

Management of the Village of Hodge has advised that it is not a defendant in any litigation at June 30, 2003.

VILLAGE OF HODGE  
Hodge, Louisiana  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Year Ended June 30, 2003

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, LouisianaSchedule of Compensation Paid Aldermen  
For the Year Ended June 30, 2003

Aldermen	Paid
Jimmy Culpepper	\$ 2,775
Leon Knox, Jr.	2,750
Carla Smith	<u>2,775</u>
Total	<u>\$ 8,325</u>

**TAMI D. LEDBETTER, CPA, LLC**

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

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

I have audited the general purpose financial statements of the Village of Hodge, Louisiana, as of and for the year ended June 30, 2003, and have issued my report thereon dated March 15, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Hodge, Louisiana's general purpose financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted a certain immaterial instance of noncompliance, which was reported to management of the Village of Hodge in a separate letter dated March 15, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Hodge's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted a certain matter involving internal control over financial reporting that I have reported to management of the Village of Hodge in a separate letter dated March 15, 2004.

This report is intended solely for the information and use of the Legislative Auditor of the State of Louisiana, aldermen and management of The Village of Hodge, and federal awarding agencies and pass-through entities; it is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Tami D. Ledbetter, CPA, LLC  
March 15, 2004



**VILLAGE OF HODGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Village of Hodge.
2. No reportable conditions relating to the audit of the financial statement 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. No instance of noncompliance material to the financial statements of the Village of Hodge was disclosed during the audit.
4. The Village of Hodge had no federal award programs.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No findings in the current year. In addition, there were no prior year findings.

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

The Village of Hodge had no major federal award programs

**TAMI D. LEDBETTER, CPA, LLC**

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P. O. Box 1787; Hodge, LA 71247  
Office: 318-259-8611  
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e-mail: tamiled@bellsouth.net

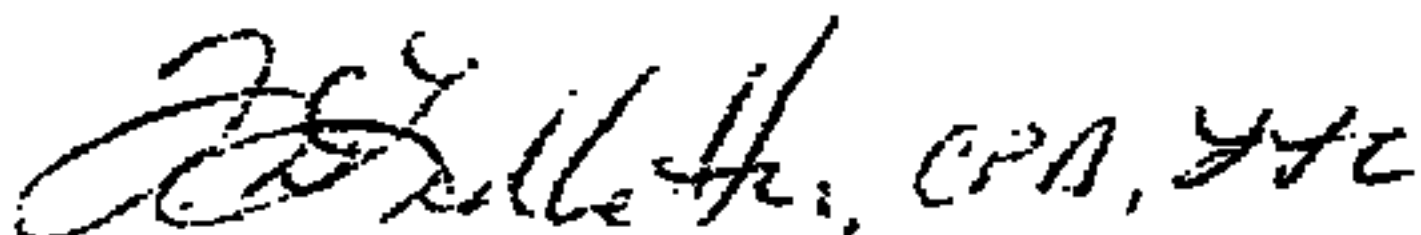
Honorable Quenton Causey, Mayor  
And Board of Aldermen  
Village of Hodge  
Hodge, Louisiana 71247

In planning and performing my audit of the general purpose financial statements of the Village of Hodge, as of and for the year ended June 30, 2003, and to obtain reasonable assurances about whether the financial statements are free of material misstatement, I considered the following:

- 1.) The internal control structure in order to determine my auditing procedures for the purpose of expressing my 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, I performed tests of the Village of Hodge's compliance with certain provisions of laws, regulations and contracts. The objective of my audit was not to provide an opinion on overall compliance with such provisions. Accordingly, I did not express such an opinion.

During my audit for the year ending June 30, 2003, I became aware of certain matters involving immaterial noncompliance with laws and matters disclosed in the audit report, as of the year ended June 30, 2003, involving the internal control structure that were opportunities for strengthening internal controls and compliance requirements. The memorandum that accompanies this letter summarizes comments regarding those matters. (I previously reported on the Village of Hodge's internal control structure in my report dated March 15, 2004.) This letter does not affect my report dated March 15, 2004, on the general purpose financial statements of the Village of Hodge.

Sincerely,

  
Tami D. Ledbetter, CPA, LLC  
March 15, 2004

Current Year Findings

**2003 - ML1 Need for Increased Controls over Processing of Payroll**

**Criteria:** Internal controls over payroll processing should be adequate to ensure that deductions are deducted properly.

**Condition:** Gross payroll was not decreased by deduction for garnishment and savings.

**Cause:** Deductions were entered into the payroll processing program as debits and consequently gross payroll was increased by the amount of the deduction rather than decreased.

**Effect:** The Village expended \$3032 as a result of increased gross payroll and checks disbursed for the related savings deposit and garnishment.

*Management's Corrective Action Plan:*

*In a letter dated March 22, 2004, the Village of Hodge responded that management has established additional controls to add assurance regarding accuracy of payroll and related deductions.*

**2003-ML2 Audit Not Completed Within Six Months of Close of Fiscal Year**

**Criteria:** Louisiana law requires the audit be completed within six months of the close of the fiscal year.

**Condition, Cause and Effect:**

The audited financial statements were issued late due to problems in the firm performing the audit.

*Management's Corrective Action Plan:*

*In a letter dated March 22, 2004, the Village of Hodge responded that management will ensure that the audit is completed within the time prescribed by law for future audits.*

Prior Year Findings

None

TELEPHONE  
(318) 259-4704



P.O. DRAWER 280  
HODGE, LOUISIANA 71247

March 22, 2004

Legislative Audit Advisory Council  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Council Members:

I am responding to the comments referenced in the management letter associated with the audited financial statements of the Village of Hodge, Louisiana as of and for the year ending June 30, 2003 issued by Tami D. Ledbetter, CPA, LLC dated March 15, 2004.

**2003-ML1    Need for Increased Controls over Processing of Payroll**

Controls over processing of payroll should be established to ensure that deductions are properly handled.

*Additional controls have been established to add assurance regarding accuracy of payroll and related deductions.*

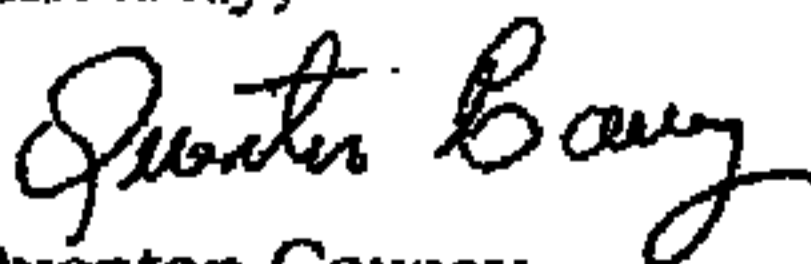
**2003-ML2    Audit Not Completed Within Six Months of Close of Fiscal Year**

Louisiana law requires the audit be completed within six months of the close of the fiscal year. Ms. Ledbetter has assumed responsibility for the report being issued late and has assured me that changes have been made in the structure of her firm to ensure that this will not occur in the future.

*Management will ensure that the audit is completed within the time prescribed by law.*

Should you have any questions, please contact me.

Sincerely,

  
Quenton Causey  
Mayor