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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Quenton Causey, Mayor
and Board of Aldermen
Village of Hodge
Hodge, Louisiana 71047

I have audited the general purpose financial statements of the Village of Hodge, Louisiana, as of and for the year ended June 30, 1996, and have issued my report thereon dated December 23, 1997.

I conducted my audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Village of Hodge, Louisiana, is the responsibility of the Village's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Village of Hodge, Louisiana's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. 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.

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



Don M. McGhee
Certified Public Accountant
December 23, 1997

INTERNAL CONTROL REPORT
PAGE TWO

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with assertions of management in general purpose financial statements.

The Village of Hodge has too few personnel involved in accounting system to have adequate separation of duties for internal control.

A material weakness is a reportable condition in which design or operation of one or more of internal control structure elements does not reduce to a relatively low level risk that errors or irregularities in amounts that would be material in relation to general purpose financial statements being audited may occur and not be detected within a timely period by employees in normal course of performing their assigned functions.

My consideration of internal control structure would not necessarily disclose all matters in internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness as defined above. However, I believe reportable condition described above is a material weakness.

This report is intended for information of Village of Hodge's management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Don M. McGhee
Certified Public Accountant
December 23, 1997

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
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 two years ended June 30, 1997, and have issued my report thereon dated December 30, 1997.

I have conducted my audit in accordance with generally accepted auditing standards, and 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.

The management of the Village of Hodge, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of the Village of Hodge, Louisiana, for the two years ended June 30, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

OTHER REPORTS

VILLAGE OF HODGE, LOUISIANA
 GENERAL FUND
 SUPPORTING SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
 FOR THE YEAR ENDED JUNE 30, 1996 AND 1997

	<u>1997</u>	<u>1996</u>
STREET DEPARTMENT		
Equipment Repair and Maintenance	\$ 3,667	\$ 4,718
Equipment Operating costs	4,477	4,054
Group Insurance	1,245	2,179
Insurance and Bonding	1,765	1,468
Miscellaneous	0	0
Operating Supplies	19,188	21,101
Outside Services	9,180	968
Payroll Taxes	4,013	4,719
Retirement	138	660
Salaries	48,218	55,830
Street Repair and Maintenance	20,253	2,755
Workman's Compensation	3,807	3,863
TOTAL STREET DEPARTMENT	<u>173,800</u>	<u>100,112</u>
CAPITAL OUTLAY		
General Government	3,800	3,100
Fire Department	100,368	41,870
Police Department	608	24,880
Sanitation Department	54,808	0
Street Department	8,808	18,830
TOTAL CAPITAL OUTLAY	<u>\$ 167,802</u>	<u>\$ 88,680</u>

**VILLAGE OF HODGE, LOUISIANA
GENERAL FUND
SUPPORTING SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
POLICE DEPARTMENT		
Criminal Investigation	\$ 426	\$ 218
Dues and Subscriptions	190	178
Equipment Maintenance Cost	1,973	5,790
Equipment Operating Cost	6,382	9,162
Feeding Prisoners	1,028	901
Group Insurance	20,749	17,592
Insurance	1,028	898
Miscellaneous	1,583	474
Operating Supplies	5,119	5,892
Payroll Taxes	9,178	8,909
Retirement	4,901	5,472
Salaries	103,119	99,952
Supplemental Pay	10,183	11,774
Telephone and Utilities	778	204
Travel and Education	3,874	923
Uniforms	988	548
Workmen's Compensation	7,438	10,972
TOTAL POLICE DEPARTMENT	<u>178,662</u>	<u>174,965</u>
SANITATION DEPARTMENT		
Equipment Maintenance Cost	0	679
Equipment Operating Cost	194	1,281
Group Insurance	0	0
Insurance	1,446	1,207
Operating Supplies	0	53
Outside Services	210	0
Payroll Taxes	990	1,031
Retirement	172	589
Salaries	11,289	12,048
Workmen's Compensation	2,074	2,943
TOTAL SANITATION DEPARTMENT	<u>16,465</u>	<u>21,150</u>
SERVICE TO OTHERS		
Office Supplies and Expense	6,789	0
Operating Supplies	982	11,747
Outside Services	27,289	14,287
Payroll Taxes	689	952
Salaries	9,384	9,192
TOTAL SERVICE TO OTHERS	<u>\$ 44,312</u>	<u>\$ 36,186</u>

VILLAGE OF HODGE, LOUISIANA
GENERAL FUND
SUPPORTING SCHEDULES OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1967 AND 1966

	1967	1966
GENERAL GOVERNMENT		
Advertising and Publications	\$ 261	\$ 167
Aldermen Fees	9,126	9,160
Building Repairs and Maintenance	466	4,388
Christmas Lighting	1,704	1,288
Dues and Subscriptions	190	126
Equipment Repair and Maintenance	0	218
Group Insurance	6,289	4,234
Insurance and Bonding	2,387	2,184
Legal and Accounting	7,130	8,428
Miscellaneous	0	522
Office Supplies and Expense	3,775	4,258
Operating Supplies	688	226
Outside Services	3,909	43
Payroll Taxes	1,620	1,784
Ratements	1,670	1,637
Salaries—Mayor	10,700	16,048
Salaries—Other	21,751	20,061
Tax Roll Expense	704	704
Telephone and Utilities	1,090	1,814
Travel and Education	3,205	3,890
Veterans Service Officer	308	306
Workmen's Compensation	521	619
TOTAL GENERAL GOVERNMENT	85,248	68,821
FIRE DEPARTMENT		
Building Repair and Maintenance	31	703
Dues and Subscriptions	48	154
Education	908	171
Equipment Maintenance Cost	660	1,157
Equipment Operating Cost	1,104	592
Equipment Rental	460	1,350
Insurance	1,847	1,670
Miscellaneous	24	24
Operating Supplies	2,980	2,228
Outside Services	620	482
Payroll Taxes	299	168
Salaries	2,400	2,300
Voluntary Firemen Fees	2,288	2,842
Workmen's Compensation	36	382
TOTAL FIRE DEPARTMENT	\$ 13,674	\$ 14,621

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1997

NOTE 11 - 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, 8401 United Plaza Boulevard, Room 370, Baton Rouge, Louisiana 70809-7517, or by calling (504)622-7411.

Benefit provisions for MPERS are authorized within Act 189 of 1979 and amended by the LS 11:2223. 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, 4750 Van Gogh Avenue, Baton Rouge, Louisiana 70806-2788, or by calling (504)622-4910.

Member contribution rates are established by statute as a percentage of taxable compensation for each system. For the year ended June 30, 1997 and 1996, the member contribution rate for the MERS under Plan B was 6% 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, 1997 and 1996, for MERS was 3.75% and 3.25%, respectively, and for MPERS was 9% of covered payroll.

The Village's contributions to MERS and MPERS made for the year ended June 30, 1997 and 1996, for the MERS was \$2,587 and \$3,088, respectively, and for the MPERS was \$4,901 and \$6,473, respectively, equal to the required contributions for each year.

NOTE 12 - 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, 1997 and 1996, revenues received by the general fund from the Operating Company were \$54,722 and \$34,126, respectively, and expenses paid from the enterprise fund to the Operating Company were \$2,560 for each year.

VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1997

NOTE 6 - RESTRICTED ASSETS-- PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 1997:

Customers' Deposits: \$ 17,126

NOTE 7 - CHANGES IN GENERAL FIXED ASSETS

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

	Balance @ 7/1/96	Additions	Deletions	Balance @ 6/30/97
Land	\$9,791	\$ 0	0	\$9,791
Buildings	184,411			184,411
Other Improvements	52,589	3,244		55,833
Equipment	289,265	44,409	14,374	299,300
Total General Fixed Assets	\$535,956	\$47,653	\$14,374	\$569,235

	Balance @ 7/1/99	Additions	Deletions	Balance @ 6/30/97
Land	\$9,791	\$ 0	0	\$9,791
Buildings	184,411			184,411
Other Improvements	255,313	8,312		263,625
Equipment	299,300	173,418		472,718
Total General Fixed Assets	\$748,815	\$181,730	\$0	\$930,545

NOTE 8 - 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.

NOTE 9 - COMPENSATION PAID THE BOARD OF ALDERMAN

The amount of compensation paid each board member for the year ended June 30, 1997 and 1996, is as follows:

	1997	1996
Jimmy Culpepper	\$3,050	\$3,050
Leon Knox, Jr.	3,050	3,050
Carla Smith	3,050	3,050
Total	\$9,150	\$9,150

NOTE 10 - 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, 1997, for taxes due from Stone Container.

VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1997

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Interest bearing accounts at June 30, 1997, had a bank balance of \$226,768 and carrying amount of \$257,258, which was covered by a \$100,000 FDIC insurance with the remainder of \$125,768 to be covered by collateral other than FDIC insurance which is held by third party institutions in the name of the Village of Hodge.

Besides savings accounts and demand deposits, the only other cash the Village has is \$272 of petty cash. Deposits are carried at cost which approximates market value.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 1997, consisted of the following:

	General	Enterprise
Water and Sewer Sales		\$1,412
Garbage Sales	\$258	
Services to Hodge Utility Operating Company	75,178	
Total	<u>\$75,694</u>	<u>\$1,412</u>

NOTE 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. For the 1996 Ad Valorem Taxes, one rate of tax was levied on property within the corporate limits, as follows:

8.5 mills for general corporate purpose. This millage was approved by the Village Council in July, 1996.

For the year ended June 30, 1997, taxes of \$122,421 were levied on property. Taxes receivable at June 30, 1997 consisted of the following:

Taxes Receivable	\$	560
Allowance for Uncollectible Taxes		0
Net Ad Valorem Taxes Receivable	<u>\$</u>	<u>560</u>

NOTE 5 - OTHER TAXES RECEIVABLE

Other taxes receivable at June 30, 1997, consisted of the following:

Sales Tax	\$	57,579
Franchise Tax		3,352
Total	<u>\$</u>	<u>60,931</u>

VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1997

I. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased.

The Village has elected not to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The only fixed assets recorded in the proprietary fund in this statement is equipment with estimated useful lives of either five (5) or ten (10) years.

All fixed assets are stated at historical cost. Donated fixed assets are stated at their estimated fair value on the date donated.

J. Cash and Cash Equivalents

Cash consist of demand deposits and time deposits with maturities of less than 90 days. Deposits are carried at cost which approximates market value.

K. Vacation and Sick Leave

Employees earn one, two or three weeks of vacation time each year, depending upon years of service. Employees can earn from seven days to six weeks of sick leave each year. Vacation and sick leave cannot be accumulated.

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.

NOTE 2 - CASH AND INVESTMENTS

The Village maintains its cash and investment accounts in Hodge Bank and Trust, which is insured by the Federal Deposit Insurance Corporation (FDIC). FDIC coverage is \$100,000 for all demand deposits and \$100,000 for all time deposits (time deposits are defined as any interest bearing account.) At June 30, 1997, the bank balance was \$61,021 and the carrying amount was \$68,928 on non-interest bearing accounts, which was covered by \$100,000 of FDIC insurance.

VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 30, 1993.

The Village of Hodge reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

E. Budgetary Practices

The Village of Hodge adopted an operating budget, on a basis consistent with generally accepted accounting principles, as its governmental fund type for the year ended June 30, 1997 and 1996, as required by generally accepted accounting principles as applicable to governmental units, and as required by Louisiana law.

Prior to the year ended June 30, 1997, the Board of Aldermen adopted an amended budget approving additional expenditures and adjusting revenue. The amended budget is presented in the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. Appropriations lapse at year end and must be reappropriated for the following year to be expended.

F. Prepaid Insurance

Payments made to insurance companies for insurance coverage that will benefit periods beyond June 30, 1997, are recorded as prepaid items in the asset section of the balance sheet.

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.

VILLAGE OF HOOGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds – –

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated 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 90 days after year end. Expenditures are recorded when the related fund liability is incurred. Purchases 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.

VILLAGE OF HODGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Hodge was incorporated under the Lawton Act January 31, 1958. 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.

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 calendar year ended December 31, 1994, 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
 ENTERPRISE FUND – UTILITY FUND
 STATEMENT OF CASH FLOWS – PROPERTY FUND TYPE
 FOR YEAR ENDED JUNE 30, 1997 AND 1996

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 14,181	\$ 16,384
Cash Payments for Goods and Services	(21,898)	(27,142)
Cash Payments to Employees	(24,534)	(17,082)
Net Cash Used by Operating Activities	(32,251)	(27,840)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	622	898
Purchase of Restricted Assets	(750)	(1,800)
Construction of Water Distribution System Completed	\$	(27,842)
Net Cash Used by Investing Activities	(178)	(28,744)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers from General Fund	33,858	68,791
Net Cash Provided by Noncapital Financing Activities	33,858	68,791
NET INCREASE (DECREASE) IN CASH	(8,171)	(11,189)
CASH AT BEGINNING OF YEAR	51,375	62,564
CASH AT END OF YEAR	\$ 43,204	\$ 51,375
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (68,451)	\$ (40,550)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities –		
Depreciation	6,438	6,458
Changes to Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	(95)	111
(Increase) Decrease in Prepaid Insurance	(999)	801
Increase (Decrease) in Accrued Liabilities	(268)	57
Increase (Decrease) in Accounts Payable	11,764	(1,782)
Increase (Decrease) in Customers' Meter Deposits	758	1,800
Total Adjustments	17,808	7,347
Net Cash Provided by Operating Activities	\$ (41,828)	\$ (28,621)

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

VILLAGE OF HODGE, LOUISIANA
 ENTERPRISE FUND
 UTILITY FUND
 STATEMENTS OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS—PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
OPERATING REVENUES		
Water Sales	\$ 8,126	\$ 8,008
Sewer Sales	4,203	4,268
Delinquent charges	144	213
TOTAL OPERATING REVENUES	<u>12,503</u>	<u>12,489</u>
OPERATING EXPENSES		
Depreciation	6,426	6,468
Equipment Operating Cost	0	353
Group Insurance	2,519	1,778
Insurance	1,650	1,696
Miscellaneous	140	207
Outside Services	200	425
Payroll Taxes	2,004	1,405
Purchased Utilities	2,660	2,660
Retirement	608	498
Salaries	24,184	17,067
System Repair and Maintenance	11,689	8,208
System Supplies and Expense	18,086	16,002
Workers's Compensation	2,179	3,228
TOTAL OPERATING EXPENSES	<u>72,984</u>	<u>69,911</u>
OPERATING LOSS	(60,481)	(47,422)
NON-OPERATING REVENUE - INTEREST INCOME	500	500
TRANSFERS FROM GENERAL FUND	<u>33,985</u>	<u>66,791</u>
NET LOSS	(26,000)	21,629
RETAINED EARNINGS - BEGINNING	<u>34,914</u>	<u>13,805</u>
RETAINED EARNINGS - ENDING	\$ <u>8,914</u>	\$ <u>35,434</u>

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

1998		
BUDGET	ACTUAL	VARIANCE— FAVORABLE (UNFAVORABLE)
\$ 120,000	\$ 120,208	\$ 208
2,000	7,500	5,500
300,000	480,554	180,554
4,000	10,500	6,500
0	707	707
11,500	4,958	(6,542)
5,000	3,079	(1,921)
11,000	11,774	774
8,800	8,898	(102)
2,000	7,858	5,858
0	2,320	2,320
48,000	29,179	(18,821)
2,000	3,840	1,840
800	4,800	4,000
<u>607,800</u>	<u>770,807</u>	<u>163,007</u>
115,000	83,891	(31,109)
20,500	14,521	(5,979)
100,500	124,809	24,309
40,600	21,100	(19,500)
40,500	29,834	(10,666)
50,000	107,113	57,113
100,000	88,800	(11,200)
<u>607,800</u>	<u>620,277</u>	<u>(12,523)</u>
(100,000)	187,350	87,350
(200,000)	(88,791)	(111,791)
0	1,800	1,800
<u>(200,000)</u>	<u>(88,289)</u>	<u>(111,289)</u>
(300,000)	120,116	(179,884)
200,000	268,300	68,300
\$ 0	\$ 307,435	\$ 307,435

VILLAGE OF HOOSIE, LOUISIANA
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL -- GOVERNMENTAL FUND TYPE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1997 AND 1998

	1997		VARIANCE -- FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES			
Taxes--			
Ad Valorem	\$ 116,000	\$ 123,168	\$ 7,168
Franchise	1,800	13,338	11,538
Sales	308,000	244,058	(63,942)
Occupational Licenses	1,400	12,015	10,615
Intergovernmental--			
Alcoholic Beverage Tax	0	60	60
Fire Insurance Rebate	8,800	9,812	1,012
Telephone Tax	1,800	3,038	1,438
On Behalf Revenue--Police Supplemental Pay	8,800	10,180	1,380
Charges for Sanitation Services	8,200	9,312	1,112
Fines and Penalties	6,200	11,070	4,870
Payment in Lieu of Taxes	0	2,320	2,320
Service to Others	26,700	24,752	(19,222)
Interest	3,800	3,870	70
Miscellaneous	870	1,280	410
TOTAL REVENUES	528,420	654,978	126,558
EXPENDITURES			
General and Administrative	112,815	85,249	27,566
Fire Department	20,025	13,074	6,951
Police Department	160,575	176,582	(16,007)
Sanitation Department	13,725	10,455	3,270
Service to Others	44,825	44,312	513
Street Department	117,425	116,633	792
Capital Outlay	106,550	187,562	(81,012)
TOTAL EXPENDITURES	607,340	681,867	(74,527)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(81,320)	(17,249)	64,071
OTHER FINANCING SOURCES (USES)			
Operating Transfer to Other Funds	(15,800)	(23,884)	(8,084)
Sale of General Fixed Assets	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(15,800)	(23,884)	(8,084)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(97,120)	(51,244)	45,876
FUND BALANCE -- BEGINNING	371,781	387,436	15,655
FUND BALANCE -- ENDING	\$ 274,661	\$ 336,191	\$ 61,530

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

VILLAGE OF HODGE, LOUISIANA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1997 AND 1996

	1997	1996
REVENUES		
Taxes -		
Ad Valorem	\$ 100,169	\$ 100,208
Franchise	10,000	7,500
Sales	344,080	480,304
Occupational Licenses	12,015	10,500
Intergovernmental -		
Alcoholic Beverage Tax	80	707
Fire Insurance Rebate	6,012	4,968
Tobacco Tax	3,000	2,279
On Behalf Revenue - Police Supplemental Pay	10,160	11,774
Charges for Sanitation Services	5,313	6,999
Fines and Forfeitures	11,010	7,898
Payment in Lieu of Taxes	2,300	2,320
Service to Others	64,723	64,126
Interest	3,870	3,840
Miscellaneous	1,660	4,900
TOTAL REVENUES	<u>694,618</u>	<u>770,627</u>
EXPENDITURES		
General and Administrative	85,240	83,801
Fire Department	13,874	14,521
Police Department	178,882	174,280
Sanitation Department	16,400	21,100
Service to Others	44,312	38,004
Street Department	115,800	107,112
Capital Outlay	157,562	65,880
TOTAL EXPENDITURES	<u>621,568</u>	<u>525,277</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,349)	167,280
OTHER FINANCING SOURCES (USES)		
Operating Transfer to Other Funds	(33,899)	(33,899)
Sale of General Fund Assets	0	1,084
TOTAL OTHER FINANCING SOURCES (USES)	<u>(33,899)</u>	<u>(32,815)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(51,244)	166,010
FUND BALANCE - BEGINNING	<u>387,430</u>	<u>285,300</u>
FUND BALANCE - ENDING	<u>\$ 336,186</u>	<u>\$ 451,310</u>

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

VILLAGE OF HODGE, LOUISIANA
COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 1997
WITH COMPARATIVE TOTALS FOR JUNE 30, 1996

	GOVERNMENTAL			TOTALS	
	FUND TYPE	PROPRIETARY	ACCOUNT	(MEMORANDUM ONLY)	
	GENERAL	ENTERPRISE	GENERAL	1997	1996
	FUND	FUND	FIXED ASSETS		
ASSETS					
Cash	\$ 299,179	\$ 13,810	\$ 0	\$ 302,989	\$ 340,338
Accounts Receivable	51,574	1,412	0	13,088	1,872
Ad Valorem Taxes Receivable, net	593	0	0	593	593
Other Taxes Receivable	63,931	0	0	60,621	76,675
Prepaid Insurance	9,820	2,287	0	13,096	12,445
Water Deposit	10	0	0	10	10
Restricted Assets--Cash	0	17,176	0	17,176	95,400
Land	0	0	9,791	9,791	9,791
Buildings	0	0	189,411	189,411	189,411
Other Improvements	0	0	63,625	63,625	95,913
Equipment	0	37,292	471,719	509,000	595,583
Sewer Distribution System	0	13,898	0	13,499	13,498
Water Distribution System	0	138,173	0	128,173	128,173
Accumulated Depreciation	0	(24,793)	0	(24,793)	(28,327)
	\$ 370,183	\$ 178,825	\$ 720,549	\$ 1,297,643	\$ 1,158,549
TOTAL ASSETS					
LIABILITIES					
Accounts Payable	\$ 31,863	\$ 11,792	\$ 0	\$ 43,655	\$ 3,726
Accrued Expenses	12,528	444	0	10,994	18,486
Deferred Revenue	593	0	0	593	329
Payable from Restricted Assets					
Customer Deposits	0	17,176	0	17,176	16,426
TOTAL LIABILITIES	44,987	29,412	0	72,404	39,967
EQUITY					
Contributed Capital	0	195,400	0	198,432	139,433
Investment in General Fixed Assets	0	0	720,549	729,845	849,813
Retained Earnings--					
Unreserved	0	9,901	0	8,891	34,914
Fund Balances--					
Unreserved and Undesignated	335,191	0	0	336,191	387,435
TOTAL EQUITY	335,191	145,413	720,549	1,215,149	1,118,667
	\$ 370,183	\$ 178,825	\$ 720,549	\$ 1,297,643	\$ 1,198,649
TOTAL LIABILITIES AND EQUITY					

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

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS—OVERVIEW)

DON M. MCGHEE

(A Professional Accounting Corporation)

P.O. Box 1344

808 North Trenton

Ruston, Louisiana 71273-1344

INDEPENDENT AUDITORS REPORT

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

I have audited the accompanying general purpose financial statements of the Village of Hodges, Louisiana, as of and for the two years ended June 30, 1997, as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, and 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 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 above present fairly, in all material respects, the financial position of the Village of Hodges, as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund for the two years then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as a supporting schedule in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Hodges, Louisiana. 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 presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated December 23, 1997 on my consideration of the Village of Hodges's internal control structure and a reported dated December 23, 1997 on its compliance with laws and regulations.



Don M. McGhee
Certified Public Accountant
December 23, 1997

VILLAGE OF HODGE, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 1987

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VILLAGE OF HODGE
LOUISIANA

FINANCIAL STATEMENTS
JUNE 30, 1997

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 ~~2000-4-1999~~