

TOWN OF HORNBECK, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

The Honorable Clarence Beebe, Mayor
and Members of the Board of Aldermen
Town of Hornbeck
State of Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hornbeck, Louisiana as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Hornbeck, Louisiana's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hornbeck, Louisiana, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Hornbeck, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hornbeck, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hornbeck, Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hornbeck, Louisiana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Town of Hornbeck, Louisiana's proportionate share of the net pension liability, and schedule of the Town of Hornbeck, Louisiana's pension contribution on pages 35 through 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hornbeck, Louisiana’s basic financial statements. The accompanying schedule of compensation paid to board members, schedule of compensation, benefits and other payments to agency head, balance sheet, schedule of revenues, expenditures and change in fund balances, and the justice system funding schedule – collecting/disbursing entity are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation paid to board members, schedule of compensation, benefits and other payments to agency head, balance sheet, schedule of revenues, expenditures and change in fund balances, and the justice system funding schedule – collecting/disbursing entity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, on our consideration of the Town of Hornbeck, Louisiana’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hornbeck, Louisiana’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Hornbeck, Louisiana’s internal control over financial reporting and compliance.



DeRidder, Louisiana
October 22, 2024

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 97,367	\$ 963,674	\$ 1,061,041
Receivables:			
Sales taxes - restricted	15,778	-	15,778
Franchise taxes	3,391	-	3,391
Hotel/motel tax	9,805	-	9,805
Mowing right of way	2,330	-	2,330
Occupational license	4,365	-	4,365
Rent	400	-	400
Accounts	-	72,983	72,983
Restricted assets - cash	209,432	525,906	735,338
Due from other funds	689	369	1,058
Utility deposits	-	1,200	1,200
Capital assets not being depreciated	156,291	750,652	906,943
Capital assets being depreciated, net	1,740,838	7,027,158	8,767,996
Total assets	<u>\$ 2,240,686</u>	<u>\$ 9,341,942</u>	<u>\$ 11,582,628</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	<u>\$ -</u>	<u>\$ 124,370</u>	<u>\$ 124,370</u>
Total assets and deferred outflows of resources	<u>\$ 2,240,686</u>	<u>\$ 9,466,312</u>	<u>\$ 11,706,998</u>
LIABILITIES			
Accounts payable	\$ 2,509	\$ 22,676	\$ 25,185
Contracts payable	-	5,900	5,900
Sales taxes payable	-	776	776
Retirement payable	99	7,394	7,493
Payroll taxes payable	-	5,699	5,699
Due to other funds	1,058	-	1,058
Due to state	-	507	507
Long-term liabilities:			
Net pension liability	-	387,163	387,163
Customer deposits	-	61,032	61,032
Total liabilities	<u>\$ 3,666</u>	<u>\$ 491,147</u>	<u>\$ 494,813</u>
DEFERRED INFLOWS OF RESOURCES			
Pension contributions	<u>\$ -</u>	<u>\$ 34,332</u>	<u>\$ 34,332</u>
Total liabilities and deferred inflows of resources	<u>\$ 3,666</u>	<u>\$ 525,479</u>	<u>\$ 529,145</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position
June 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 1,897,129	\$ 7,771,910	\$ 9,669,039
Restricted for:			
Replacement and extension	-	525,906	525,906
Sales taxes	222,662	-	222,662
Residual equity transfer	-	875,550	875,550
Unrestricted	117,229	(232,533)	(115,304)
Total net position	<u>\$ 2,237,020</u>	<u>\$ 8,940,833</u>	<u>\$ 11,177,853</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,240,686</u>	<u>\$ 9,466,312</u>	<u>\$ 11,706,998</u> (Concluded)

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2024

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government and administration	\$ 63,636	\$ -	\$ -	\$ -	\$ (63,636)	\$ -	\$ (63,636)
Public safety	42,395	7,611	-	-	(34,784)	-	(34,784)
Public works	62,246	6,280	67,192	-	11,226	-	11,226
Culture and recreation	10,269	-	-	-	(10,269)	-	(10,269)
Total governmental activities	<u>\$ 178,546</u>	<u>\$ 13,891</u>	<u>\$ 67,192</u>	<u>\$ -</u>	<u>\$ (97,463)</u>	<u>\$ -</u>	<u>\$ (97,463)</u>
Business-type activities:							
Gas, water and sewer	<u>\$ 1,080,372</u>	<u>\$ 918,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (161,394)</u>	<u>\$ (161,394)</u>
Total government	<u>\$ 1,258,918</u>	<u>\$ 932,869</u>	<u>\$ 67,192</u>	<u>\$ -</u>	<u>\$ (97,463)</u>	<u>\$ (161,394)</u>	<u>\$ (258,857)</u>
General revenues:							
Taxes:							
Sales taxes					\$ 81,446	\$ -	\$ 81,446
Hotel/motel taxes					28,375	-	28,375
Franchise taxes					21,684	-	21,684
Occupational licenses and permits					21,268	-	21,268
Investment earnings					184	26,729	26,913
Rentals					44,800	-	44,800
Nonemployer pension contribution revenue					-	7,969	7,969
Total general revenues					<u>\$ 197,757</u>	<u>\$ 34,698</u>	<u>\$ 232,455</u>
Change in net position					\$ 100,294	\$ (126,696)	\$ (26,402)
Residual equity transfer					(875,550)	875,550	-
Net position at beginning of year					3,012,276	8,191,979	11,204,255
Net position at end of year					<u>\$ 2,237,020</u>	<u>\$ 8,940,833</u>	<u>\$ 11,177,853</u>

The accompanying notes are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2024

	Major Fund			Total Governmental Funds
	General	Special Revenue Fund	Capital Project Fund	
		Sales Tax Fund	LCDBG Fund	
ASSETS				
Cash and cash equivalents	\$ 97,349	\$ -	\$ 18	\$ 97,367
Receivables:				
Sales taxes - restricted	-	15,778	-	15,778
Franchise taxes	3,391	-	-	3,391
Occupational license	4,365	-	-	4,365
Rent	400	-	-	400
Hotel/motel tax	9,805	-	-	9,805
Mowing right of way	2,330	-	-	2,330
Restricted cash and cash equivalents	-	209,432	-	209,432
Due from utility fund	689	-	-	689
	<u>\$ 118,329</u>	<u>\$ 225,210</u>	<u>\$ 18</u>	<u>\$ 343,557</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,019	\$ 1,490	\$ -	\$ 2,509
Retirement payable	99	-	-	99
Due to utility fund	-	1,058	-	1,058
	<u>\$ 1,118</u>	<u>\$ 2,548</u>	<u>\$ -</u>	<u>\$ 3,666</u>
Fund Balances:				
Unassigned	\$ 117,211	\$ -	\$ 18	\$ 117,229
Restricted	-	222,662	-	222,662
	<u>\$ 117,211</u>	<u>\$ 222,662</u>	<u>\$ 18</u>	<u>\$ 339,891</u>
Total liabilities and fund balances	<u>\$ 118,329</u>	<u>\$ 225,210</u>	<u>\$ 18</u>	<u>\$ 343,557</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

Total fund balance - total governmental funds	\$ 339,891
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	<u>1,897,129</u>
Net position of governmental activities	<u><u>\$ 2,237,020</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	Major Fund			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Project Fund	
	General Fund	Sales Tax Fund	LCDBG Fund	
Revenues				
Taxes:				
Sales	\$ -	\$ 81,446	\$ -	\$ 81,446
Franchise	21,684	-	-	21,684
Hotel/motel	28,375	-	-	28,375
Intergovernmental:				
Federal grants	-	-	54,365	54,365
State grants	-	12,827	-	12,827
Occupational licenses and permits	21,268	-	-	21,268
Fees and charges for services	6,280	-	-	6,280
Investment income	65	119	-	184
Fines and forfeitures	7,611	-	-	7,611
Rentals	44,800	-	-	44,800
Total revenues	<u>\$ 130,083</u>	<u>\$ 94,392</u>	<u>\$ 54,365</u>	<u>\$ 278,840</u>
Expenditures				
General government	\$ 75,499	\$ 3,693	\$ -	\$ 79,192
Public safety	25,423	-	-	25,423
Public works	-	34,508	-	34,508
Culture and recreation	3,590	-	-	3,590
Capital outlay	31,723	90,684	54,365	176,772
Total expenditures	<u>\$ 136,235</u>	<u>\$ 128,885</u>	<u>\$ 54,365</u>	<u>\$ 319,485</u>
Net change in fund balance	\$ (6,152)	\$ (34,493)	\$ -	\$ (40,645)
Fund balances at beginning of year	<u>123,363</u>	<u>257,155</u>	<u>18</u>	<u>380,536</u>
Fund balances at end of year	<u>\$ 117,211</u>	<u>\$ 222,662</u>	<u>\$ 18</u>	<u>\$ 339,891</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$	(40,645)
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(57,892)
Pension expense is based on employer contributions in the governmental funds, but is an actuarially calculated expense on the statement of activities.		22,059
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		176,772
Change in net position of governmental activities	\$	100,294

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2024

	Business-type Activities Enterprise Fund
	Water and Sewer
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 963,674
Receivables:	
Accounts	72,983
Due from other funds	369
Restricted cash and cash equivalents	525,906
Total current assets	\$ 1,562,932
Noncurrent Assets	
Utility deposit	\$ 1,200
Capital assets not being depreciated	750,652
Capital assets being depreciated, net	7,027,158
Total noncurrent assets	\$ 7,779,010
Total assets	\$ 9,341,942
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	\$ 124,370
Total assets and deferred outflows of resources	\$ 9,466,312
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 22,676
Contracts payable	5,900
Sales taxes payable	776
Retirement payable	7,394
Payroll taxes payable	5,699
Due to state	507
Total current liabilities	\$ 42,952
Noncurrent Liabilities	
Customer deposits	\$ 61,032
Net pension liability	387,163
Total noncurrent liabilities	\$ 448,195
Total liabilities	\$ 491,147
DEFERRED INFLOWS OF RESOURCES	
Pension contributions	\$ 34,332
Total liabilities and deferred inflows of resources	\$ 525,479

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 June 30, 2024

	Business-type Activities Enterprise Fund
	<u>Water and Sewer</u>
NET PENSION	
Net investment in capital assets	\$ 7,771,910
Restricted for:	
Replacement and extension	525,906
Residual equity transfer	875,550
Unrestricted	<u>(232,533)</u>
Total net position	<u>\$ 8,940,833</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 9,466,312</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2024

	Business-type Activities Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	<u>\$ 918,978</u>
Operating expenses	
Personal services	\$ 348,532
Cost of gas sold	109,686
Supplies	117,227
Contractual services	232,659
Depreciation	272,268
Total operating expenses	<u>\$ 1,080,372</u>
Income (loss) from operations	<u>\$ (161,394)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 26,729
Nonemployer pension contribution revenue	7,969
Total nonoperating revenues (expenses)	<u>\$ 34,698</u>
Change in net position	\$ (126,696)
Net position at beginning of year	\$ 8,191,979
Residual equity transfer	875,550
Net position at end of year	<u><u>\$ 8,940,833</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2024

	Business-type Activities Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 921,554
Cash payments to suppliers for goods and services	(467,985)
Cash payments to employees for services	(346,255)
Net cash provided by operating activities	<u>\$ 107,314</u>
Cash flows from noncapital financing activities:	
Cash paid to other funds	\$ (244)
Nonemployer pension contribution revenue	7,969
Net cash provided by noncapital financing activities	<u>\$ 7,725</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (938,461)
Residual equity transfer	875,550
Contribution capital received	48,102
Net cash used by capital financing activities	<u>\$ (14,809)</u>
Cash flows from investing activities:	
Interest on cash and investments	\$ 26,729
Total cash flows provided from investing activities	<u>\$ 26,729</u>
Net increase (decrease) in cash and cash investments	\$ 126,959
Cash and cash investments, July 1, 2023	<u>1,362,621</u>
Cash and cash investments, June 30, 2024	<u>\$ 1,489,580</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2024

		<u>Business-type Activities Enterprise Funds</u>
		<u>Water and Sewer</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:		
Loss from operations	\$	(161,394)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	\$	272,268
Change in assets and liabilities:		
Decrease in accounts receivable		981
Decrease in accounts payable		(8,434)
Increase in customer deposits payable		1,595
Decrease in payroll taxes payable		(1,550)
Increase in sales taxes payable		21
Increase in retirement payable		664
Decrease in deferred outflows		44,917
Increase in deferred inflows		30,155
Decrease in net pension liability payable		(71,909)
Net cash provided by operating activities	\$	<u>107,314</u>
		<u>(Concluded)</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Hornbeck, Louisiana
Notes to the Financial Statements
As of and for the Year Ended June 30, 2024

INTRODUCTION

The Town of Hornbeck was incorporated in 1902 under the provisions of the Lawson Act. The municipality operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Hornbeck conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also 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*.

The municipality maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 7 miles of roads and streets, gas, water, and sewer services to approximately 1,200 residents.

The municipality is located within Vernon Parish in the southwestern part of the State of Louisiana and is comprised of approximately 480 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water, sewer, and gas systems and perform the clerical work for the municipality. The police department consists of an elected chief of police.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes, set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, hotel/motel taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except for those in another fund.

The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The Capital Projects Fund accounts for Louisiana Community Development Block Grant (LCDBG) grant funds that are awarded for upgrades in the Utility Fund.

The municipality reports the following major proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing gas, water and sewer services to residents comprise the operating revenue of the municipality's enterprise fund. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The municipality has not established a policy for use of the unrestricted fund balance, therefore it considers committed fund balances to be used first, then assigned fund balances to be used next and finally the unassigned fund balance will be used.

When both restricted and unrestricted resources are available for use, it is the municipality's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Sales Taxes

The Town of Hornbeck receives a one-percent sales tax, which is dedicated to repairs and maintenance of streets and roadways, water treatment facilities and the general improvements and maintenance of the municipality's public facilities. The sales tax was levied on November 19, 1983 and is a perpetual tax for the municipality.

E. Restricted Assets

Certain resources are set aside for the replacement and extension of the gas, water, and sewer systems are classified as restricted assets. Sales taxes received are also classified as restricted assets.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$5,000 or more for capitalizing capital assets.

According to GASB 34 the Town of Hornbeck was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was included as part of the cost of capital assets under construction in connection with construction projects.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

G. Leave

The municipality has the following policy relating to vacation and sick leave:

A. Full-time employees shall be eligible for vacation, sick leave, family and medical leave, civil leave, military leave, education leave, maternity leave, and leave of absence without pay, as provided in this section.

B. Vacation

- (1) A full-time employee shall receive one week of vacation after one year of employment from their anniversary date.
- (2) Employees shall receive two weeks vacation leave from their second year to their tenth year of employment.
- (3) Employees shall receive three weeks of vacation after ten years of employment.

C. Sick Leave

- (1) "Sick leave" is leave with pay granted a full-time employee who is suffering with a disability which prevents him from performing his usual duties and responsibilities or who requires medical, dental, or optical consultation or treatment.
- (2) After an employee's first full-time employment anniversary date, sick leave may also be used for immediate family. For this purpose, "immediate family" includes spouse, child, grandchild, mother, father, grandparent, mother-in-law, father-in-law, brother and sister.
- (3) Sick leave with pay is not a right, which an employee may demand but a privilege granted by the municipality.
- (4) Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examination or treatment, or exposure to a contagious disease when continued work might jeopardize the health of others. All such absences except those resulting from intemperance or immorality shall be charged against the sick leave credit of the employee.
- (5) Sick leave credits accumulated by each employee as of the effective date of the Ordinance shall be retained.
- (6) Each full-time employee shall earn sick leave at the rate of six days per year. However, no employee may accumulate more than eighty hours of sick leave per year nor accumulate more than two hundred forty hours of sick leave overall.
- (7) The mayor shall determine when a doctor's certificate is required and under what conditions certificates are required. Department heads shall be responsible for the application of this provision so that there will be no abuse of sick leave privileges.
- (8) Employees who resign or retire or who are dismissed from employment shall not be paid for any accrued sick leave and all such leave shall be canceled.
- (9) The mayor or authorized department head may place an employee, other than a police officer, on sick leave when the employee asserts the need to be absent from the work place because of the employee's illness or injury.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

I. Estimates

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

J. Fund Balances

Restricted Amounts that are restricted to specific purposes should be reported as *restricted fund balance*. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- a. externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or
- b. imposed by law through constitutional provisions or enabling legislation.

Unassigned Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Assigned Assigned fund balance classifications include amounts that have been constrained to being used for specific purposes by actions taken by the Town itself. However, the authority for making an assignment is not required to be the Town's highest level of decision making authority.

K. Restricted Net Position

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

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

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS's fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Financial reporting information pertaining to the municipality's participation in the MERS is prepared in accordance with Governmental Accounting Standards Board "GASB" Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which have been adopted by the municipality for the fiscal year ended June 30, 2024.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of MERS have been determined on the same basis as they are reported by MERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing MERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the municipality's proportionate share of the plans net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budgets for the General Fund and Sales Tax Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

3. CASH AND CASH EQUIVALENTS

At June 30, 2024, the municipality has cash and cash equivalents (book balances) totaling \$1,796,379 as follows:

Savings	\$	5
Demand deposits		18
Time deposits		775,901
NOW accounts		1,020,055
Petty cash		400
Total	\$	<u>1,796,379</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

The cash and cash equivalents of the Town of Hornbeck, Louisiana are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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 or exceed 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. 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 municipality that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the municipality's name.

At June 30, 2024, the municipality has \$1,801,986 in deposits (collected bank balances). These deposits are secured from risk by \$500,018 of federal deposit insurance and \$1,301,968 of pledged securities held by an unaffiliated bank of the pledgor bank. These pledged securities are deemed by law to be under the control and possession and in the name of the municipality.

4. RECEIVABLES

The receivables of \$109,052 at June 30, 2024, are as follows:

Class of receivable	General Fund	Sales Tax Fund	Proprietary Fund	Total
Taxes:				
Sales and use	\$ -	\$ 15,778	\$ -	\$ 15,778
Franchise	3,391	-	-	3,391
Hotel/motel	9,805	-	-	9,805
Rent	400	-	-	400
Occupational license	4,365	-	-	4,365
Accounts	-	-	72,983	72,983
Mowing right of way	2,330	-	-	2,330
Total	\$ 20,291	\$ 15,778	\$ 72,983	\$ 109,052

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2024, for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 156,291	\$ -	\$ -	\$ 156,291
Construction in progress	821,185	54,365	875,550	-
Total capital assets not being depreciated	<u>\$ 977,476</u>	<u>\$ 54,365</u>	<u>\$ 875,550</u>	<u>\$ 156,291</u>
Capital assets being depreciated				
Buildings	\$ 1,010,972	\$ 22,973	\$ -	\$ 1,033,945
Improvements other than building	1,423,584	24,704	-	1,448,288
Furniture and fixtures	22,469	-	-	22,469
Machinery and equipment	133,820	20,769	-	154,589
Vehicles	84,184	53,961	-	138,145
Total capital assets being depreciated	<u>\$ 2,675,029</u>	<u>\$ 122,407</u>	<u>\$ -</u>	<u>\$ 2,797,436</u>
Less accumulated depreciation for:				
Buildings	\$ 275,691	\$ 20,318	\$ -	\$ 296,009
Improvements other than building	498,984	27,924	-	526,908
Furniture and fixtures	19,121	600	-	19,721
Machinery and equipment	121,830	4,349	-	126,179
Vehicles	83,080	4,701	-	87,781
Total accumulated depreciation	<u>\$ 998,706</u>	<u>\$ 57,892</u>	<u>\$ -</u>	<u>\$ 1,056,598</u>
Total capital assets being depreciated, net	<u>\$ 1,676,323</u>	<u>\$ 64,515</u>	<u>\$ -</u>	<u>\$ 1,740,838</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 167,361	\$ -	\$ -	\$ 167,361
Construction in progress	656,408	55,172	128,289	583,291
Total capital assets not being depreciated	<u>\$ 823,769</u>	<u>\$ 55,172</u>	<u>\$ 128,289</u>	<u>\$ 750,652</u>
Capital assets being depreciated				
Vehicles	\$ 193,729	\$ -	\$ -	\$ 193,729
Buildings	2,310,558	-	-	2,310,558
Machinery and equipment	457,812	-	-	457,812
Distribution system	9,104,254	988,849	-	10,093,103
Total capital assets being depreciated	<u>\$ 12,066,353</u>	<u>\$ 988,849</u>	<u>\$ -</u>	<u>\$ 13,055,202</u>
Less accumulated depreciation for:				
Vehicles	\$ 111,619	\$ 18,405	\$ -	\$ 130,024
Buildings	1,101,629	358	-	1,101,987
Machinery and equipment	409,870	7,082	-	416,952
Distribution system	4,132,658	246,423	-	4,379,081
Total accumulated depreciation	<u>\$ 5,755,776</u>	<u>\$ 272,268</u>	<u>\$ -</u>	<u>\$ 6,028,044</u>
Total business-type assets being depreciated, net	<u>\$ 6,310,577</u>	<u>\$ 716,581</u>	<u>\$ -</u>	<u>\$ 7,027,158</u>

Depreciation expense of \$57,892 for the year ended June 30, 2024, was charged to the following governmental functions:

Public safety	\$ 16,972
Public works	27,738
Culture and recreation	6,679
General administration	6,503
Total	<u>\$ 57,892</u>

6. CONSTRUCTION COMMITMENTS

The municipality had an active construction projects as of June 30, 2024. The Town of Hornbeck had the expansion of the Westside Water System. At year end the commitment with the contractor is as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Westside Water System Expansion	\$ 583,291	\$ 2,200,000

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

7. ACCOUNTS AND OTHER PAYABLES

The payables of \$106,592 at June 30, 2024, are as follows:

	General Fund	Sales Tax Fund	Proprietary Fund	Total
Accounts	\$ 1,019	\$ 1,490	\$ 22,676	\$ 25,185
Contracts	-	-	5,900	5,900
Sales taxes	-	-	776	776
Payroll taxes	-	-	5,699	5,699
Retirement	99	-	7,394	7,493
Customer deposits	-	-	61,032	61,032
State of Louisiana	-	-	507	507
Total accounts and other payables	<u>\$ 1,118</u>	<u>\$ 1,490</u>	<u>\$ 103,984</u>	<u>\$ 106,592</u>

8. DUE TO/FROM OTHER FUNDS

	General Fund	Sales Tax Fund	Proprietary Fund	Total
Due to	\$ -	\$ 1,058	\$ -	\$ 1,058
Due from	<u>689</u>	<u>-</u>	<u>369</u>	<u>1,058</u>

Interfund balances arise when one fund pays expenses that are allocated to another fund.

9. PENSION PLAN

Substantially all employees of the Town of Hornbeck, are members of the following statewide retirement system: Municipal Employees Retirement System of Louisiana. This system is a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan 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 the system. 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. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Funding Policy. Under Plan A, members are required by state statute to contribute 10.00 percent of their annual covered salary and the Town of Hornbeck is required to contribute at an actuarially determined rate. The current rate is 29.50 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 requirement of plan members and the Town of Hornbeck 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 Town of Hornbeck contributions to the System under Plan A for the years ending June 30, 2024, 2023, and 2022, were \$68,360, \$62,807, and \$67,183, respectively, equal to the required contributions for each year

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

At June 30, 2024, the municipality reported a liability of \$387,163 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The municipality's proportion of the net pension liability was based on a projection of the municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2023 the municipality's proportion was .105931 %, which was a decrease of .012897% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the municipality recognized pension expense of \$53,234, plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$4,198. At June 30, 2024, the municipality recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 259	\$ 3,543
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	44,492	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	29,620
Differences between employer and proportionate share of contributions	11,259	1,169
Town contributions subsequent to the measurement date	68,360	-
Total	\$ 124,370	\$ 34,332

The \$68,360 reported as deferred outflows of resources related to pensions resulting from the municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Year ended June 30:	
2025	\$ 4,642
2026	(12,407)
2027	32,275
2028	(2,832)
Thereafter	-
Total	<u>\$ 21,678</u>

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension liability of the Town of Hornbeck, Louisiana for Plan A are as follows:

	<u>Plan A</u> <u>June 30, 2023</u>
Total pension liability	\$ 1,405,806
Less: Plan fiduciary net position	<u>(1,018,643)</u>
Town's net pension liability	<u>\$ 387,163</u>
 Plan fiduciary net position as a % of the total pension liability	 72.46%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revisions as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2023 valuation was based on the results of an experience study, for the period of July 1, 2013 through June 30, 2018.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2023
Actuarial cost method	Entry Age Normal
Expected remaining service lives	3 years
Investment rate of return	6.85%, net of pension plan investment expense, including inflation.
Inflation rate	2.50%
Salary increases, including inflation and merit increases:	
- 1 to 4 years of service	6.40%
- More than 4 years of service	4.50%

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

Discount Rate

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	56.00%	2.44%
Public fixed income	29.00%	1.26%
Alternatives	15.00%	0.65%
Totals	100.00%	4.35%
Inflation		2.50%
Expected Arithmetic Nominal Return		6.85%

The discount rate used to measure the total pension liability was 6.85% for the year ended June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the Town of Hornbeck, Louisiana calculated using the discount rate of 6.85%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.85%, or one percentage point higher 7.85% than the current discount rate (assuming all other assumptions remain unchanged):

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

	Changes in Discount Rate:		
	1.00% Decrease 5.85%	Current Discount Rate 6.85%	1.00% Increase 7.85%
Net Pension Liability	\$ 536,753	\$ 387,163	\$ 260,805

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$7,394, which is the legally required contribution due at June 30, 2024. This amount is recorded in accrued expenses.

The effects of certain other changes in the net pension liability are required to be included in pension expense (benefit) over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense (benefit) in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period.

The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earning is required to be included in pension expense (benefit) in a systematic and rational manner over a closed period of five years, beginning with the current period.

10. STATE OF LOUISIANA, PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

The municipality offers membership in the State of Louisiana, Public Employees Deferred Compensation Plan, a qualified retirement plan under section 457 of the Internal Revenue Code administered by Great West Life and Annuity Insurance Company.

The Louisiana Deferred Compensation Plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants defer federal and state income tax on their contributions. In addition, interest or earnings on the account accumulates tax-deferred. Participants may join the plan with as little as \$10 per pay period, \$20 per month, and contribute up to 100% of taxable compensation, not to exceed \$22,500 and \$23,000 per calendar years for 2023 and 2024, respectively. Additionally if age 50 or older an additional amount may be deferred (up to \$7,500 and \$7,500 per calendar years 2023 and 2024 respectively) above the annual deferral limit.

A special “catch-up” provision may be used to invest an amount determined by using a special formula per year for three years prior to retirement. Any amount excluded from gross income through salary reduction under a 403(b) annuity, a 401(k) profit-sharing plan or a Simplified Employee Pension (SEP) is to be treated as amounts deferred under this deferred compensation plan. Participants joining the Plan may choose the amount to contribute and the investment option(s). They may revise their choice at any time, transfer monies to other available investment options and may increase, decrease or stop deferrals any time. The Plan offers both a guaranteed option and variable investment options, from which participants may select a fund or combination of funds to satisfy their personal investment objectives. Each of the funds has independent investment objectives and utilizes different investment strategies. With the exception of the Great-West Guaranteed Fund, the remaining investment options are variable in nature. Values of the variable options are not guaranteed as to a fixed dollar amount and may increase or decrease according to the investment experience of the underlying portfolio. The expense to administer the Plan is borne by all participants. The administrative fee is approximately .85% and is assessed on each of the options selected. The variable options also have investment management fees that vary based upon the option chosen. Both the administrative and investment management fees are calculated and deducted daily on a pro-rata basis. There are no annual contract charges or transaction charges. At retirement, 100% of the account value will be applied to any of the following settlement options chosen. The options include among others:

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

- Periodic payment
- Payments over your lifetime
- Payments for a specific time or amount
- Joint and survivor benefits
- Lump-sum payment
- Any combination of the above options

The Plan is administrated by Great-West Life and Annuity Insurance Company; 2237 South Acadian Thruway Suite 702; Baton Rouge, LA 70808; (800) 937-7604 or (225) 926-8086.

11. RESTRICTED NET POSITION/FUND BALANCES

The Proprietary Fund – The Utility Fund had restricted net position available as follows:

Restricted assets:	
Replacement and extension cash accounts	<u>\$ 525,906</u>

The Special Revenue Fund – The Sales Tax Fund had restricted fund balance as follows:

Restricted assets:	
Sales tax cash account	\$ 209,432
Sales tax receivable	<u>15,778</u>
Total restricted assets	<u>\$ 225,210</u>

Liabilities payable from restricted assets:	
Accounts payable	\$ 1,490
Due to utility fund	<u>1,058</u>
Total liabilities payable from restricted assets	<u>\$ 2,548</u>

Restricted fund balance	<u>\$ 222,662</u>
-------------------------	-------------------

12. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2024.

	<u>Proprietary Fund</u>
	Pension
	<u>Liability</u>
Long-term obligations	
at beginning of year	\$ 459,072
Additions	-
Reductions	<u>(71,909)</u>
Long-term obligations	
at end of year	<u>\$ 387,163</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Concluded)

	<u>Governmental Fund</u>
	Pension
	<u>Liability</u>
Long-term obligations at beginning of year	\$ 34,448
Additions	-
Reductions	<u>(34,448)</u>
Long-term obligations at end of year	<u>\$ -</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2024.

	<u>Proprietary Fund</u>
	Pension
	<u>Liability</u>
Current portion	\$ -
Long-term portion	<u>387,163</u>
Total	<u>\$ 387,163</u>

13. RESIDUAL EQUITY TRANSFER

As of June 30, 2024 the Town completed a LCDBG sewer project that had been ongoing for several years. The project had been accounted for in a Capital Project Fund since inception. The total cost of the project was transferred to the Utility Fund fixed assets as a residual equity transfer for the year ending June 30, 2024.

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Franchise fees	\$ 22,855	\$ 20,540	\$ 21,684	\$ 1,144
Hotel/motel	19,893	23,484	28,375	4,891
Occupational licenses and permits	11,700	18,596	21,268	2,672
Fees and charges for services	6,460	4,850	6,280	1,430
Investment income	51	65	65	-
Fines and forfeitures	1,953	7,611	7,611	-
Rentals	52,800	44,800	44,800	-
Miscellaneous	45	-	-	-
Total revenues	<u>\$ 115,757</u>	<u>\$ 119,946</u>	<u>\$ 130,083</u>	<u>\$ 10,137</u>
Expenditures				
General government and administration	\$ 73,487	\$ 75,775	\$ 75,499	\$ 276
Public safety	19,442	25,152	25,423	(271)
Culture and recreation	2,215	3,686	3,590	96
Capital outlay	-	31,723	31,723	-
Total expenditures	<u>\$ 95,144</u>	<u>\$ 136,336</u>	<u>\$ 136,235</u>	<u>\$ 101</u>
Net change in fund balance	\$ 20,613	\$ (16,390)	\$ (6,152)	\$ 10,238
Fund balances at beginning of year	<u>120,000</u>	<u>123,363</u>	<u>123,363</u>	<u>-</u>
Fund balances at end of year	<u>\$ 140,613</u>	<u>\$ 106,973</u>	<u>\$ 117,211</u>	<u>\$ 10,238</u>

Special Revenue Fund
Sales Tax Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 77,968	\$ 81,446	\$ 81,446	\$ -
Intergovernmental:				
State grants	-	12,827	12,827	-
Investment income	108	119	119	-
Total revenues	<u>\$ 78,076</u>	<u>\$ 94,392</u>	<u>\$ 94,392</u>	<u>\$ -</u>
Expenditures				
General government and administration	\$ 3,187	\$ 3,693	\$ 3,693	\$ -
Public works	30,017	90,684	90,684	-
Capital outlay	-	34,508	34,508	-
Total expenditures	<u>\$ 33,204</u>	<u>\$ 128,885</u>	<u>\$ 128,885</u>	<u>\$ -</u>
Net change in fund balance	\$ 44,872	\$ (34,493)	\$ (34,493)	\$ -
Fund balances at beginning of year	<u>250,000</u>	<u>257,155</u>	<u>257,155</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 294,872</u></u>	<u><u>\$ 222,662</u></u>	<u><u>\$ 222,662</u></u>	<u><u>\$ -</u></u>

Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2024

Municipal Employees' Retirement System	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Town's proportion of the net pension liability (asset)	.106203%	.116024%	.108670%	.120035%	.130273%
Town's proportionate share of the net pension liability (asset)	\$ 272,564	\$ 414,456	\$ 445,407	\$ 502,157	\$ 539,419
Town's covered-employee payroll	\$ 198,025	\$ 160,086	\$ 217,990	\$ 237,840	\$ 211,684
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	137.64%	258.90%	204.32%	211.13%	254.82%
Plan fiduciary net position as a percentage of the total pension liability	73.99%	66.18%	62.11%	62.49%	63.94%

(Continued)

Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2024

Municipal Employees' Retirement System	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
Town's proportion of the net pension liability (asset)	.114350%	.101994%	.109161%	.118828%	.105931%
Town's proportionate share of the net pension liability (asset)	\$ 477,830	\$ 440,962	\$ 303,632	\$ 493,520	\$ 387,163
Town's covered-employee payroll	\$ 192,544	\$ 216,156	\$ 227,739	\$ 212,906	\$ 231,730
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.16%	204.00%	133.32%	231.80%	167.07%
Plan fiduciary net position as a percentage of the total pension liability	64.67%	64.52%	77.82%	67.87%	72.46%

(Concluded)

Schedule of the Town's Pension Contributions
For the Year Ended June 30, 2024

Municipal Employees' Retirement System	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Contractually required contribution	\$ 39,110	\$ 31,617	\$ 49,602	\$ 58,866	\$ 55,038
Contributions in relation to the contractually required contribution	39,110	31,617	49,602	58,866	55,038
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 198,025	\$ 160,086	\$ 217,990	\$ 237,840	\$ 211,684
Contributions as a percentage of covered-employee payroll	19.75%	19.75%	22.75%	24.75%	26.00%

(Continued)

Schedule of the Town's Pension Contributions
For the Year Ended June 30, 2024

Municipal Employees' Retirement System	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
Contractually required contribution	\$ 53,431	\$ 63,766	\$ 67,183	\$ 62,807	\$ 68,360
Contributions in relation to the contractually required contribution	<u>53,431</u>	<u>63,766</u>	<u>67,183</u>	<u>62,807</u>	<u>68,360</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Town's covered-employee payroll	\$ 192,544	\$ 216,156	\$ 227,739	\$ 212,906	\$ 231,730
Contributions as a percentage of covered-employee payroll	27.75%	29.50%	29.50%	29.50%	29.50% (Concluded)

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2024

<u>Board Members</u>	<u>Compensation Paid</u>
John Hyatt	\$ 3,000
Terri Whiddon	3,600
Greg Lantier	3,000
Lance Ellis	3,000
Cullen Parker	3,000
	<u>\$ 15,600</u>

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended June 30, 2024

Agency Head Name - Clarence Beebe

Purpose	Amount
Salary	\$ 12,000
Benefits - insurance	174
Benefits - retirement	3,540
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	659
Dues	135
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	180
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

Balance Sheet
 For the Year Ended June 30, 2024

	Capital Project Fund LCDBG Fund
ASSETS	
Cash and cash equivalents	\$ 18
Grant receivable	-
Total assets	\$ 18
LIABILITIES AND FUND BALANCES	
Liabilities:	
Contracts payable	\$ -
Fund Balances:	
Restricted	\$ -
Unrestricted	18
Total fund balances	\$ 18
Total liabilities and fund balances	\$ 18

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	<u>Capital Project Fund LCDBG Fund</u>
Revenues	
Intergovernmental:	
Federal grant	<u>\$ 54,365</u>
Expenditures	
Engineering	<u>\$ 54,365</u>
Net change in fund balances	<u>\$ -</u>
Fund balances at beginning of year	<u>18</u>
Fund balances at end of year	<u><u>\$ 18</u></u>

Town of Hornbeck, Louisiana
 LLA Entity ID # 2265
 Justice System Funding Schedule -
 Collecting/Disbursing Entity
 For the Year Ended June 30, 2024

Schedule 9

	First Six Month Period Ended 12/31/2023	Second Six Month Period Ended 6/30/2024
Beginning balance of amounts collected (cash on hand)	\$ -	\$ 2,329
Collections:		
Criminal Court Costs/Fees	\$ 3,338	\$ 4,274
Subtotal collections	\$ 3,338	\$ 4,274
Less: Disbursements to Governments & Nonprofits:		
<i>Central Louisiana Juvenile/Service/Collection Fees</i>	\$ 180	\$ 210
<i>Louisiana Commission on Law Enforcement/Service/Collection Fees</i>	48	56
<i>Treasure, State of Louisiana-CMIS/Service/Collection Fees</i>	24	28
<i>Louisiana Judicial College Collections/Service/Collection Fees</i>	12	14
<i>LDH THSCI Trust Fund/Service/Collection Fees</i>	85	80
<i>North Louisiana Criminalistics Laboratory/Service/Collection Fees</i>	660	700
Subtotal Disbursements/Retainage	\$ 1,009	\$ 1,088
Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	\$ 2,329	\$ 5,515
Ending Balance of "Partial Payments" Collected but not Disbursed	\$ -	\$ -

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended June 30, 2024

There were no prior year audit findings as of June 30, 2023.

Schedule of Current Year Audit Findings and Management's Response
Year Ended June 30, 2024

There were no current year audit findings as of June 30, 2024.

Windham & Reed, L.L.C.

Certified Public Accountants

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Charles M. Reed, Jr., CPA

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Governmental Audit Quality Center

Members of AICPA
Members of Society of Louisiana CPAs

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Clarence Beebe Mayor
and Members of the Board of Aldermen
Town of Hornbeck
State of Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hornbeck, Louisiana as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Hornbeck, Louisiana's basic financial statements, and have issued our report thereon dated October 22, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses, or significant deficiencies, may exist that have not been identified.

Report on Compliance and Other Matters

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

The Honorable Clarence Beebe, Mayor
and the Members of the Board of Aldermen
Town of Hornbeck, Louisiana

Purpose of this Report

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

A handwritten signature in black ink that reads "John A. Windham, CPA". The signature is written in a cursive style with a large initial 'J'.

DeRidder, Louisiana
October 22, 2024

Windham & Reed, L.L.C.

Certified Public Accountants

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DeRidder, LA 70634
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Clarence Beebe Mayor
and Members of the Board of Aldermen
Town of Hornbeck
State of Louisiana

To the Town of Hornbeck, Louisiana (Entity) and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2023 through June 30, 2024. Town of Hornbeck, Louisiana's management is responsible for those C/C areas identified in the SAUPs.

Town of Hornbeck, Louisiana has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2023 through June 30, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. ***Disbursements***, including processing, reviewing, and approving.
 - iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Written policies and procedures obtained and address the functions listed.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
No exceptions noted.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
No exceptions noted.
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
No exceptions noted.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.
No exceptions noted.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating

account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

No exceptions noted.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

No exceptions noted.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that

- i. Employees responsible for cash collections do not share cash drawers/registers;

Exception: Employees do share the one cash drawer. The Town Clerk oversees daily activity to mitigate risks.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

No exceptions noted.

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

No exceptions noted.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

No exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and

- i. Observe that receipts are sequentially pre-numbered.
Receipts are not sequentially pre-numbered.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
No exceptions noted.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
No exceptions noted.
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
No exceptions noted.
- v. Trace the actual deposit per the bank statement to the general ledger.
Examined two random deposit dates for each account, no exceptions noted.

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Only one location.
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
No exceptions noted.
 - ii. At least two employees are involved in processing and approving payments to vendors;
No exceptions noted.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
Employee that processes payments can add or modify vendor files.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
No exceptions noted.
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
No exceptions noted.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exceptions noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

No exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

Looked at all cards.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

No exceptions noted.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

None assessed.

- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions noted.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and

obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
No exceptions noted.
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
No exceptions noted.
- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
No exceptions noted.
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
No exceptions noted.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
No exceptions noted.
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
No exceptions noted.
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
Not applicable.
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
No exceptions noted.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
No exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
No exceptions noted.
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
No exceptions noted.
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
No exceptions noted.
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
No exceptions noted.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
Not applicable.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.
No exceptions noted.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
No exceptions noted.
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
Not applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.
Town Clerk is designee.

11) Debt Service – Not Applicable.

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Not applicable.

- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Not applicable.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

The Honorable Clarence Beebe, Mayor
and the Members of the Board of Aldermen
Town of Hornbeck, Louisiana

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

No exceptions noted.

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

No exceptions noted.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exceptions noted.

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in the agency who have completed the training requirements;

No exceptions noted.

ii. Number of sexual harassment complaints received by the agency;

None.

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable.

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable.

v. Amount of time it took to resolve each complaint.

Not applicable.

We were engaged by the Town of Hornbeck, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Town of Hornbeck, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Windham & Reed CPA, L.L.C.
DeRidder, Louisiana
October 22, 2024