

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

JUNE 30, 2021

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Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Hornbeck, Louisiana as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Hornbeck, Louisiana as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, the schedule of the town's proportionate share of the net pension liability and the schedule of the town's pension contributions on pages 34-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 inquires 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.

Other 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 schedule of compensation paid to board members and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation paid to board members and schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation paid to board members and schedule of compensation, benefits and other payments to agency head 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 November 12, 2021, 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 the Town of Hornbeck, Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana
November 12, 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 143,282	\$ 619,045	\$ 762,327
Receivables:			
Sales taxes - restricted	13,403	-	13,403
Franchise taxes	1,968	-	1,968
Hotel/motel tax	5,336	-	5,336
Mowing right of way	540	-	540
Occupational license	8,848	-	8,848
Rent	400	-	400
Accounts	-	89,560	89,560
Intergovernmental:			
State grant	-	35,079	35,079
State mowing contract	2,150	-	2,150
Restricted assets - cash	173,092	503,249	676,341
Due from other funds	848	-	848
Utility deposits	-	1,200	1,200
Capital assets not being depreciated	167,828	662,984	830,812
Capital assets being depreciated, net	1,625,482	6,850,993	8,476,475
Total assets	<u>\$ 2,143,177</u>	<u>\$ 8,762,110</u>	<u>\$ 10,905,287</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	<u>\$ 12,829</u>	<u>\$ 102,699</u>	<u>\$ 115,528</u>
Total assets and deferred outflows of resources	<u><u>\$ 2,156,006</u></u>	<u><u>\$ 8,864,809</u></u>	<u><u>\$ 11,020,815</u></u>
LIABILITIES			
Accounts payable	\$ 2,841	\$ 20,838	\$ 23,679
Contracts payable	-	54,297	54,297
Sales taxes payable	-	1,399	1,399
Retirement payable	778	6,332	7,110
Salaries payable	-	8,991	8,991
Payroll taxes payable	-	4,348	4,348
Due to other funds	-	848	848
Due to state	-	507	507
Long-term liabilities:			
Net pension liability	48,506	392,456	440,962
Customer deposits	-	55,850	55,850
Total liabilities	<u>\$ 52,125</u>	<u>\$ 545,866</u>	<u>\$ 597,991</u>
DEFERRED INFLOWS OF RESOURCES			
Pension contributions	<u>\$ 5,867</u>	<u>\$ 47,468</u>	<u>\$ 53,335</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 57,992</u></u>	<u><u>\$ 593,334</u></u>	<u><u>\$ 651,326</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position
June 30, 2021

	Primary Government		Total
	Governmental Activities	Business-type Activities	
NET POSITION			
Net investment in capital assets	\$ 1,793,310	\$ 7,513,977	\$ 9,307,287
Restricted for:			
Replacement and extension	-	503,249	503,249
Sales taxes	184,762	-	184,762
Unrestricted	119,942	254,249	374,191
Total net position	<u>\$ 2,098,014</u>	<u>\$ 8,271,475</u>	<u>\$ 10,369,489</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,156,006</u>	<u>\$ 8,864,809</u>	<u>\$ 11,020,815</u> (Concluded)

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2021

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government and administration	\$ 70,309	\$ -	\$ -	\$ (70,309)	\$ -	\$ (70,309)
Public safety	35,448	1,443	-	(34,005)	-	(34,005)
Public works	48,510	6,460	-	(42,050)	-	(42,050)
Culture and recreation	3,687	-	-	(3,687)	-	(3,687)
Total governmental activities	<u>\$ 157,954</u>	<u>\$ 7,903</u>	<u>\$ -</u>	<u>\$ (150,051)</u>	<u>\$ -</u>	<u>\$ (150,051)</u>
Business-type activities:						
Gas, water and sewer	<u>1,030,821</u>	<u>969,327</u>	<u>363,509</u>	<u>-</u>	<u>302,015</u>	<u>302,015</u>
Total government	<u>\$ 1,188,775</u>	<u>\$ 977,230</u>	<u>\$ 363,509</u>	<u>\$ (150,051)</u>	<u>\$ 302,015</u>	<u>\$ 151,964</u>
General revenues:						
Taxes:						
Sales taxes				74,254	-	74,254
Hotel/motel taxes				30,676	-	30,676
Franchise taxes				18,629	-	18,629
Occupational licenses and permits				21,048	-	21,048
Investment earnings				217	3,362	3,579
Rentals				44,800	-	44,800
Miscellaneous income				-	-	-
Federal excise tax refund				-	-	-
Gain on sale of assets				-	-	-
Nonemployer pension contribution revenue				761	6,158	6,919
Total general revenues				<u>190,385</u>	<u>9,520</u>	<u>199,905</u>
Change in net position				<u>40,334</u>	<u>311,535</u>	<u>351,869</u>
Net position at beginning of year				<u>2,057,680</u>	<u>7,959,940</u>	<u>10,017,620</u>
Net position at end of year				<u>\$ 2,098,014</u>	<u>\$ 8,271,475</u>	<u>\$ 10,369,489</u>

The accompanying notes are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Major Fund Sales Tax</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 143,282	\$ -	\$ 143,282
Receivables:			
Sales taxes - restricted	-	13,403	13,403
Franchise taxes	1,968	-	1,968
Occupational license	8,848	-	8,848
Rent	400	-	400
Hotel/motel tax	5,336	-	5,336
Mowing right of way	540	-	540
Intergovernmental:			
State mowing contract	2,150	-	2,150
Restricted cash and cash equivalents	-	173,092	173,092
Due from utility fund	848	-	848
	<u>\$ 163,372</u>	<u>\$ 186,495</u>	<u>\$ 349,867</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,098	\$ 1,743	\$ 2,841
Retirement payable	778	-	778
	<u>\$ 1,876</u>	<u>\$ 1,743</u>	<u>\$ 3,619</u>
Fund Balances:			
Unassigned	\$ 161,496	\$ -	\$ 161,496
Restricted	-	184,752	184,752
	<u>\$ 161,496</u>	<u>\$ 184,752</u>	<u>\$ 346,248</u>
Total liabilities and fund balances	<u>\$ 163,372</u>	<u>\$ 186,495</u>	<u>\$ 349,867</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, 2021

Total fund balance - total governmental funds	\$ 346,248
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.	1,793,310
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows	12,829
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows	(5,867)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds	
Net pension liability	<u>(48,506)</u>
Net position of governmental activities	<u>\$ 2,098,014</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, 2021

	<u>General Fund</u>	<u>Major Fund</u> Sales Tax	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Sales	\$ -	\$ 74,254	\$ 74,254
Franchise	18,629	-	18,629
Hotel/motel	30,676	-	30,676
Occupational licenses and permits	21,048	-	21,048
Fees and charges for services	6,460	-	6,460
Investment income	107	110	217
Fines and forfeitures	1,443	-	1,443
Rentals	44,800	-	44,800
Total revenues	<u>\$ 123,163</u>	<u>\$ 74,364</u>	<u>\$ 197,527</u>
Expenditures			
General government	\$ 71,960	\$ 4,251	\$ 76,211
Public safety	18,122	-	18,122
Public works	-	24,751	24,751
Culture and recreation	694	-	694
Capital outlay	6,771	-	6,771
Total expenditures	<u>\$ 97,547</u>	<u>\$ 29,002</u>	<u>\$ 126,549</u>
Net change in fund balance	\$ 25,616	\$ 45,362	\$ 70,978
Fund balances at beginning of year	<u>135,880</u>	<u>139,390</u>	<u>275,270</u>
Fund balances at end of year	<u>\$ 161,496</u>	<u>\$ 184,752</u>	<u>\$ 346,248</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, 2021

Net change in fund balances - total governmental funds	\$	70,978
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.		(52,215)
Pension expense is based on employer contributions in the governmental funds, but is an actuarially calculated expense on the statement of activities.		14,800
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.		<u>6,771</u>
Change in net position of governmental activities	\$	<u><u>40,334</u></u>

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2021

	Business-type Activities Enterprise Fund
	Water and Sewer
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 619,045
Receivables:	
Accounts	89,560
Intergovernmental:	
State grant	35,079
Restricted cash and cash equivalents	503,249
Total current assets	\$ 1,246,933
Noncurrent Assets	
Utility deposit	\$ 1,200
Capital assets not being depreciated	662,984
Capital assets being depreciated, net	6,850,993
Total noncurrent assets	\$ 7,515,177
Total assets	\$ 8,762,110
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	\$ 102,699
Total assets and deferred outflows of resources	\$ 8,864,809
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 20,838
Contracts payable	54,297
Sales taxes payable	1,399
Retirement payable	6,332
Salaries payable	8,991
Payroll taxes payable	4,348
Due to general fund	848
Due to state	507
Total current liabilities	\$ 97,560
Noncurrent Liabilities	
Customer deposits	\$ 55,850
Net pension liability	392,456
Total noncurrent liabilities	\$ 448,306
Total liabilities	\$ 545,866
DEFERRED INFLOWS OF RESOURCES	
Pension contributions	\$ 47,468
Total liabilities and deferred inflows of resources	\$ 593,334

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2021

	Business-type Activities Enterprise Fund
	Water and Sewer
NET PENSION	
Net investment in capital assets	\$ 7,513,977
Restricted for:	
Replacement and extension	503,249
Unrestricted	254,249
Total net position	\$ 8,271,475
 Total liabilities, deferred inflows of resources, and net position	 \$ 8,864,809
	(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, 2021

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>
Operating revenues	
Charges for services	<u>\$ 969,327</u>
Operating expenses	
Personal services	\$ 260,812
Cost of gas sold	154,087
Supplies	107,204
Contractual services	205,975
Depreciation	302,743
Total operating expenses	<u>\$ 1,030,821</u>
Income (loss) from operations	<u>\$ (61,494)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 3,362
Nonemployer pension contribution revenue	6,158
Total nonoperating revenues (expenses)	<u>\$ 9,520</u>
Income before transfers and contributions	<u>\$ (51,974)</u>
Capital contributions	<u>\$ 363,509</u>
Change in net position	\$ 311,535
Net position at beginning of year	<u>7,959,940</u>
Net position at end of year	<u><u>\$ 8,271,475</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Business-type Activities Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 971,961
Cash payments to suppliers for goods and services	(456,062)
Cash payments to employees for services	(279,323)
Net cash provided by operating activities	\$ 236,576
Cash flows from noncapital financing activities:	
Cash paid to other funds	\$ (25,143)
Nonemployer pension contribution revenue	6,158
Excise tax received	14,834
Net cash used by noncapital financing activities	\$ (4,151)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (485,364)
Contribution capital received	334,504
Net cash used by capital financing activities	\$ (150,860)
Cash flows from investing activities:	
Interest on cash and investments	\$ 3,362
Total cash flows provided from investing activities	\$ 3,362
Net increase (decrease) in cash and cash investments	\$ 84,927
Cash and cash investments, July 1, 2020	1,037,367
Cash and cash investments, June 30, 2021	\$ 1,122,294

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

		Business-type Activities Enterprise Funds
		<u>Water and Sewer</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:		
Loss from operations	\$	(61,494)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	\$	302,743
Change in assets and liabilities:		
Decrease in accounts receivable		94
Increase in accounts payable		9,805
Increase in customer deposits payable		2,540
Decrease in payroll taxes payable		(561)
Increase in sales taxes payable		1,399
Increase in retirement payable		424
Decrease in deferred outflows		4,363
Increase in deferred inflows		5,226
Decrease in net pension liability payable		(18,478)
Increase in salaries payable		169
Decrease in compensated absences payable		(9,654)
Net cash provided by operating activities	\$	236,576
		<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, 2021

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.

Special Revenue 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 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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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.

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.

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, 2021.

Notes to the Financial Statements (Continued)

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.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual fund had actual expenditures over budgeted appropriations for the year ended June 30, 2021.

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	\$ 93,490	\$ 96,193	\$ 97,547	\$ 1,354
Sales Tax Fund	28,800	28,795	29,002	207

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

3. CASH AND CASH EQUIVALENTS

At June 30, 2021, the municipality has cash and cash equivalents (book balances) totaling \$1,438,668 as follows:

Savings	\$	5
Demand deposits		18
Time deposits		753,239
NOW accounts		685,006
Petty cash		400
Total	\$	<u>1,438,668</u>

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, 2021, the municipality has \$1,437,704 in deposits (collected bank balances). These deposits are secured from risk by \$250,023 of federal deposit insurance and \$1,187,681 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 \$157,284 at June 30, 2021, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:				
Sales and use	\$ -	\$ 13,403	\$ -	\$ 13,403
Franchise	1,968	-	-	1,968
Hotel/motel	5,336	-	-	5,336
Rent	400	-	-	400
Intergovernmental:				
State grant	-	-	35,079	35,079
State mowing contract	2,150	-	-	2,150
Occupational license	8,848	-	-	8,848
Accounts	-	-	89,560	89,560
Mowing right of way	540	-	-	540
Total	<u>\$ 19,242</u>	<u>\$ 13,403</u>	<u>\$ 124,639</u>	<u>\$ 157,284</u>

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, 2021, 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	4,766	6,771	-	11,537
Total capital assets not being depreciated	<u>\$ 161,057</u>	<u>\$ 6,771</u>	<u>\$ -</u>	<u>\$ 167,828</u>
Capital assets being depreciated				
Buildings	\$ 925,528	\$ -	\$ -	\$ 925,528
Improvements other than building	1,362,009	-	-	1,362,009
Furniture and fixtures	19,313	-	-	19,313
Machinery and equipment	129,071	-	-	129,071
Vehicles	64,878	40,806	-	105,684
Total capital assets being depreciated	<u>\$ 2,500,799</u>	<u>\$ 40,806</u>	<u>\$ -</u>	<u>\$ 2,541,605</u>
Less accumulated depreciation for:				
Buildings	\$ 217,987	\$ 18,938	\$ -	\$ 236,925
Improvements other than building	417,022	26,568	-	443,590
Furniture and fixtures	16,055	1,804	-	17,859
Machinery and equipment	114,542	2,413	-	116,955
Vehicles	57,496	43,298	-	100,794
Total accumulated depreciation	<u>\$ 823,102</u>	<u>\$ 93,021</u>	<u>\$ -</u>	<u>\$ 916,123</u>
Total capital assets being depreciated, net	<u>\$ 1,677,697</u>	<u>\$ (52,215)</u>	<u>\$ -</u>	<u>\$ 1,625,482</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 167,361	\$ -	\$ -	\$ 167,361
Construction in progress	27,074	468,549	-	495,623
Total capital assets not being depreciated	<u>\$ 194,435</u>	<u>\$ 468,549</u>	<u>\$ -</u>	<u>\$ 662,984</u>
Capital assets being depreciated				
Vehicles	\$ 223,758	\$ 49,224	\$ 40,806	\$ 232,176
Buildings	2,310,558	-	-	2,310,558
Machinery and equipment	457,812	-	-	457,812
Distribution system	9,024,538	13,771	-	9,038,309
Total capital assets being depreciated	<u>\$ 12,016,666</u>	<u>\$ 62,995</u>	<u>\$ 40,806</u>	<u>\$ 12,038,855</u>
Less accumulated depreciation for:				
Vehicles	\$ 127,061	\$ 18,601	\$ 40,806	\$ 104,856
Buildings	994,352	35,759	-	1,030,111
Machinery and equipment	347,552	24,068	-	371,620
Distribution system	3,456,960	224,315	-	3,681,275
Total accumulated depreciation	<u>\$ 4,925,925</u>	<u>\$ 302,743</u>	<u>\$ 40,806</u>	<u>\$ 5,187,862</u>
Total business-type assets being depreciated, net	<u>\$ 7,090,741</u>	<u>\$ (239,748)</u>	<u>\$ -</u>	<u>\$ 6,850,993</u>

Depreciation expense of \$52,215 for the year ended June 30, 2021, was charged to the following governmental functions:

Public safety	\$ 17,326
Public works	23,759
Culture and recreation	2,993
General administration	8,137
Total	<u>\$ 52,215</u>

6. CONSTRUCTION COMMITMENTS

The municipality had active construction projects as of June 30, 2021. The Town of Hornbeck had one waterline replacement project, building of a concession stand at the ball park, expansion of the water system on the west side, and a sewer improvement project. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Utility Relocation LA 392 Bridge Project	\$ 2,374	\$ 87,626
Concession Stand Project	11,537	38,463
Westside Water System Expansion	485,724	214,276
Sewer Improvements	7,525	1,022,475

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

7. ACCOUNTS AND OTHER PAYABLES

The payables of \$156,181 at June 30, 2021, are as follows:

	General Fund	Sales Tax Fund	Proprietary Fund	Total
Accounts	\$ 1,098	\$ 1,743	\$ 20,838	\$ 23,679
Contracts	-	-	54,297	54,297
Sales taxes	-	-	1,399	1,399
Payroll taxes	-	-	4,348	4,348
Salaries	-	-	8,991	8,991
Retirement	778	-	6,332	7,110
Customer deposits	-	-	55,850	55,850
State of Louisiana	-	-	507	507
Total accounts and other payables	<u>\$ 1,876</u>	<u>\$ 1,743</u>	<u>\$ 152,562</u>	<u>\$ 156,181</u>

8. DUE TO/FROM OTHER FUNDS

	Due to	Due from
General Fund	\$ -	\$ 848
Proprietary Fund	848	-
Total	<u>\$ 848</u>	<u>\$ 848</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, 2021, 2020, and 2019, were \$63,766, \$53,431, and \$55,038, 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, 2021, the municipality reported a liability of \$440,962 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020 the municipality's proportion was .101994%, which was a decrease of .012356% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the municipality recognized pension expense of \$46,995. At June 30, 2021, the municipality recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 204	\$ 2,501
Changes of assumptions	7,418	-
Net difference between projected and actual earnings on pension plan investments	44,004	-
Changes in employer's proportion of beginning net pension liability	-	49,707
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	1,127
Town contributions subsequent to the measurement date	63,766	-
Total	<u>\$ 115,392</u>	<u>\$ 53,335</u>

The \$63,766 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, 2021. 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:	
2021	\$ (16,372)
2022	(1,786)
2023	9,999
2024	6,450
Thereafter	-
Total	<u><u>\$ (1,709)</u></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, 2020</u>
Total pension liability	\$ 1,242,916
Plan fiduciary net position	<u>(801,954)</u>
Town's net pension liability	<u><u>\$ 440,962</u></u>
 Plan fiduciary net position as a % of the total pension liability	 64.52%

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, 2020 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, 2020
Actuarial cost method	Entry Age Normal
Expected remaining service lives	3 years – Plan A
Investment rate of return	6.95%, 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, 2020 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	53.00%	2.33%
Public fixed income	38.00%	1.67%
Alternatives	9.00%	0.40%
Totals	100.00%	4.40%
Inflation		2.60%
Expected Arithmetic Nominal Return		7.00%

The discount rate used to measure the total pension liability was 6.95% for the year ended June 30, 2020. 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 6.95%, 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 5.95%, or one percentage point higher 7.95% 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 5.95%	Current Discount Rate 6.95%	1.00% Increase 7.95%
Net Pension Liability	\$ 573,643	\$ 440,962	\$ 328,774

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$4,956, which is the legally required contribution due at June 30, 2021. 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 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 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 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 \$19,500 and \$19,500 per calendar years for 2020 and 2021, respectively. Additionally if age 50 or older an additional amount may be deferred (up to \$6,500 and \$6,500 per calendar years 2020 and 2021 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>\$ 503,249</u>

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

Restricted assets:	
Sales tax cash account	\$ 173,092
Sales tax receivable	13,403
Total restricted assets	<u>\$ 186,495</u>

Liabilities payable from restricted assets:	
Accounts payable	<u>\$ 1,743</u>

Restricted fund balance	<u>\$ 184,752</u>
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12. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2021.

	<u>Proprietary Fund</u>
	Pension Liability
Long-term obligations at beginning of year	\$ 410,934
Additions	-
Reductions	<u>(18,478)</u>
Long-term obligations at end of year	<u>\$ 392,456</u>

	<u>Governmental Fund</u>
	Pension Liability
Long-term obligations at beginning of year	\$ 66,896
Additions	-
Reductions	<u>(18,390)</u>
Long-term obligations at end of year	<u>\$ 48,506</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Concluded)

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, 2021.

	<u>Proprietary Fund</u>
	Pension Liability
Current portion	\$ -
Long-term portion	392,456
Total	<u>\$ 392,456</u>

	<u>Governmental Fund</u>
	Pension Liability
Current portion	\$ -
Long-term portion	48,506
Total	<u>\$ 48,506</u>

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Franchise fees	\$ 21,000	\$ 18,471	\$ 18,629	\$ 158
Hotel/motel	19,000	28,106	30,676	2,570
Occupational licenses and permits	12,400	14,983	21,048	6,065
Fees and charges for services	6,460	3,950	6,460	2,510
Investment income	105	107	107	-
Fines and forfeitures	250	1,443	1,443	-
Rentals	44,800	44,400	44,800	400
Total revenues	<u>\$ 104,015</u>	<u>\$ 111,460</u>	<u>\$ 123,163</u>	<u>\$ 11,703</u>
Expenditures				
General government and administration	\$ 76,780	\$ 71,004	\$ 71,960	\$ (956)
Public safety	15,460	17,648	18,122	(474)
Culture and recreation	1,250	770	694	76
Capital outlay	-	6,771	6,771	-
Total expenditures	<u>\$ 93,490</u>	<u>\$ 96,193</u>	<u>\$ 97,547</u>	<u>\$ (1,354)</u>
Net change in fund balance	\$ 10,525	\$ 15,267	\$ 25,616	\$ 10,349
Fund balances at beginning of year	<u>135,000</u>	<u>135,880</u>	<u>135,880</u>	<u>-</u>
Fund balances at end of year	<u>\$ 145,525</u>	<u>\$ 151,147</u>	<u>\$ 161,496</u>	<u>\$ 10,349</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, 2021

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 51,000	\$ 67,570	\$ 74,254	\$ 6,684
Investment income	130	110	110	-
Total revenues	<u>\$ 51,130</u>	<u>\$ 67,680</u>	<u>\$ 74,364</u>	<u>\$ 6,684</u>
Expenditures				
General government and administration	\$ 4,800	\$ 4,211	\$ 4,251	\$ (40)
Public works	24,000	24,584	24,751	(167)
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 28,800</u>	<u>\$ 28,795</u>	<u>\$ 29,002</u>	<u>\$ (207)</u>
Excess (deficiency) of revenues over expenditures	\$ 22,330	\$ 38,885	\$ 45,362	\$ 6,477
Fund balances at beginning of year	<u>135,000</u>	<u>139,390</u>	<u>139,390</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 157,330</u></u>	<u><u>\$ 178,275</u></u>	<u><u>\$ 184,752</u></u>	<u><u>\$ 6,477</u></u>

Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021

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)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021

Municipal Employees' Retirement System	June 30, 2020	June 30, 2021
Town's proportion of the net pension liability (asset)	.114350%	.101994%
Town's proportionate share of the net pension liability (asset)	\$ 477,830	\$ 440,962
Town's covered-employee payroll	\$ 192,544	\$ 216,156
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.16%	204.00%
Plan fiduciary net position as a percentage of the total pension liability	64.67%	64.52%

(Concluded)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the Town's Pension Contributions
For the Year Ended June 30, 2021

Municipal Employees' Retirement System	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Contractually required contribution	\$ 39,110	\$ 31,617	\$ 49,602	\$ 58,866	\$ 55,038
Contributions in relation to the contractually required contribution	<u>39,110</u>	<u>31,617</u>	<u>49,602</u>	<u>58,866</u>	<u>55,038</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the Town's Pension Contributions
For the Year Ended June 30, 2021

Municipal Employees' Retirement System	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Contractually required contribution	\$ 53,431	\$ 63,766
Contributions in relation to the contractually required contribution	<u>53,431</u>	<u>63,766</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 192,544	\$ 216,156
Contributions as a percentage of covered-employee payroll	27.75%	29.50%

(Concluded)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2021

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

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended June 30, 2021

Agency Head Name - Clarence Beebe

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 24,000
Benefits - insurance	348
Benefits - retirement	7,080
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	544
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	159
Registration fees	250
Conference travel	448
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

There were no prior year audit findings as of June 30, 2020.

Schedule of Current Year Audit Findings and Management's Response
Year Ended June 30, 2021

There were no current year audit findings as of June 30, 2021.

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

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, and each major fund of the Town of Hornbeck, Louisiana as of and for the year ended June 30, 2021, 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 November 12, 2021.

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 may exist that have not been identified.

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
November 12, 2021