

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

JUNE 30, 2013

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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 Financial Statements

I 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, 2013, and the related notes to the financial statements, which collectively comprise the Town'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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2013, 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 the management's discussion and analysis, and budgetary comparison information, on pages 27-29 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My 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 per diem paid to board members is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of per diem paid to board members 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain addition 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 my opinion, the schedule of per diem paid to board members is 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*, I have also issued my report dated December 18, 2013, on my consideration of the Town of Hornbeck, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
December 18, 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 37,923	\$ 212,351	\$ 250,274
Receivables:			
Sales taxes	5,214	-	5,214
Franchise taxes	2,468	-	2,468
Hotel/motel tax	11,236	-	11,236
Mowing right of way	2,330	-	2,330
Accounts	-	48,704	48,704
Grants	-	74,863	74,863
Insurance premium taxes	7,780	-	7,780
Restricted assets - cash	58,124	563,501	621,625
Utility deposits	-	1,200	1,200
Capital assets not being depreciated	156,291	110,743	267,034
Capital assets being depreciated, net	1,956,498	4,139,617	6,096,115
Total assets	<u>\$ 2,237,864</u>	<u>\$ 5,150,979</u>	<u>\$ 7,388,843</u>
LIABILITIES			
Accounts payable	\$ 1,799	\$ 11,811	\$ 13,610
Payroll taxes payable	-	3,293	3,293
Customer deposits	-	53,247	53,247
Contracts payable	-	98,974	98,974
Total liabilities	<u>\$ 1,799</u>	<u>\$ 167,325</u>	<u>\$ 169,124</u>
NET POSITION			
Net investment in capital assets	\$ 2,112,789	\$ 4,250,360	\$ 6,363,149
Restricted for:			
Replacement and extension	-	563,501	563,501
Sales taxes	63,197	-	63,197
Unrestricted	60,079	169,793	229,872
Total net position	<u>\$ 2,236,065</u>	<u>\$ 4,983,654</u>	<u>\$ 7,219,719</u>
Total liabilities and net position	<u>\$ 2,237,864</u>	<u>\$ 5,150,979</u>	<u>\$ 7,388,843</u>

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2013

	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
Program Activities						
Governmental activities:						
General government and administration	\$ 76,467	\$ -	\$ -	\$ (76,467)	\$ -	\$ (76,467)
Public safety	46,449	19,077	-	(27,372)	-	(27,372)
Public works	33,018	8,030	-	(24,988)	-	(24,988)
Culture and recreation	11,157	-	-	(11,157)	-	(11,157)
Total governmental activities	\$ 167,091	\$ 27,107	\$ -	\$ (139,984)	\$ -	\$ (139,984)
Business-type activities:						
Gas, water and sewer	680,020	688,197	532,944	-	541,121	541,121
Total government	\$ 847,111	\$ 715,304	\$ 532,944	\$ (139,984)	\$ 541,121	\$ 401,137
General revenues:						
Taxes:						
Sales taxes				46,356	-	46,356
Hotel/motel taxes				30,145	-	30,145
Franchise taxes				20,439	-	20,439
Occupational licenses and permits				19,569	-	19,569
Investment earnings				775	10,439	11,214
Rentals				18,904	-	18,904
Miscellaneous income				160	2,393	2,553
Transfers				(21,455)	21,455	-
Total general revenues				114,893	34,287	149,180
Change in net position				(25,091)	575,408	550,317
Net position at beginning of year				2,261,156	4,408,246	6,669,402
Net position at end of year				\$ 2,236,065	\$ 4,983,654	\$ 7,219,719

The accompanying notes are an integral part of the statement.

Balance Sheet
Governmental Funds
June 30, 2013

		<u>Major Fund</u>	
	<u>General</u>	<u>Sales Tax</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 37,923	\$ -	\$ 37,923
Receivables:			
Sales taxes	-	5,214	5,214
Franchise taxes	2,468	-	2,468
Hotel/motel tax	11,236	-	11,236
Insurance premium taxes	7,780	-	7,780
Mowing right away	2,330	-	2,330
Restricted cash and cash equivalents	-	58,124	58,124
Total assets	<u>\$ 61,737</u>	<u>\$ 63,338</u>	<u>\$ 125,075</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 1,658</u>	<u>\$ 141</u>	<u>\$ 1,799</u>
Fund Balances:			
Unassigned	\$ 60,079	\$ -	\$ 60,079
Restricted	-	63,197	63,197
Total fund balances	<u>\$ 60,079</u>	<u>\$ 63,197</u>	<u>\$ 123,276</u>
Total liabilities and fund balances	<u>\$ 61,737</u>	<u>\$ 63,338</u>	<u>\$ 125,075</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, 2013

Total fund balance - total governmental funds	\$ 123,276
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>2,106,823</u>
Net position of governmental activities	<u><u>\$ 2,230,099</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, 2013

	<u>General Fund</u>	<u>Major Fund Sales Tax</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Sales	\$ -	\$ 46,356	\$ 46,356
Franchise	20,439	-	20,439
Hotel/motel	30,145	-	30,145
Intergovernmental:			
State mowing contract	4,300	-	4,300
Occupational licenses and permits	19,569	-	19,569
Fees and charges for services	3,730	-	3,730
Investment income	473	302	775
Fines and forfeitures	19,077	-	19,077
Rentals	18,904	-	18,904
Miscellaneous	160	-	160
Total revenues	<u>\$ 116,797</u>	<u>\$ 46,658</u>	<u>\$ 163,455</u>
Expenditures			
General government	\$ 69,770	\$ 3,590	\$ 73,360
Public safety	34,153	-	34,153
Public works	-	17,816	17,816
Culture and recreation	6,171	-	6,171
Total expenditures	<u>\$ 110,094</u>	<u>\$ 21,406</u>	<u>\$ 131,500</u>
Excess (deficiency) of revenues over expenditures	\$ 6,703	\$ 25,252	\$ 31,955
Other financing sources (uses):			
Transfer out	<u>\$ (21,455)</u>	<u>\$ -</u>	<u>\$ (21,455)</u>
Net change in fund balance	\$ (14,752)	\$ 25,252	\$ 10,500
Fund balances at beginning of year	<u>74,831</u>	<u>37,945</u>	<u>112,776</u>
Fund balances at end of year	<u><u>\$ 60,079</u></u>	<u><u>\$ 63,197</u></u>	<u><u>\$ 123,276</u></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, 2013

Net change in fund balances - total governmental funds	\$	10,500
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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.

(35,591)

Change in net position of governmental activities

\$	(25,091)
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The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2013

	Business-type Activities Enterprise Fund Water and Sewer
	<u> </u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 212,351
Receivables:	
Accounts	48,704
Grants	74,863
Total current assets	<u>\$ 335,918</u>
Noncurrent Assets	
Restricted cash and cash equivalents	\$ 563,501
Utility deposit	1,200
Capital assets not being depreciated	110,743
Capital assets being depreciated, net	4,139,617
Total noncurrent assets	<u>\$ 4,815,061</u>
Total assets	<u><u>\$ 5,150,979</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 11,811
Payroll taxes payable	3,293
Contracts payable	98,974
Customer deposits	53,247
Total liabilities	<u>\$ 167,325</u>
Net Position	
Net investment in capital assets	\$ 4,250,360
Restricted for:	
Replacement and extension	563,501
Unrestricted	169,793
Total net position	<u>\$ 4,983,654</u>
Total liabilities and net position	<u><u>\$ 5,150,979</u></u>

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, 2013

	Business-type Activities Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	\$ 688,197
Operating expenses	
Personal services	\$ 191,693
Cost of gas sold	106,578
Supplies	21,755
Contractual services	217,115
Depreciation	142,879
Total operating expenses	\$ 680,020
Income (loss) from operations	\$ 8,177
Nonoperating revenues (expenses)	
Investment income	\$ 5,842
Patronage dividends	4,597
Miscellaneous income	2,393
Total nonoperating revenues (expenses)	\$ 12,832
Income before transfers and contributions	\$ 21,009
Transfers in	\$ 21,455
Capital contributions	532,944
Change in net position	\$ 575,408
Net position at beginning of year	4,408,246
Net position at end of year	\$ 4,983,654

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	Business-type Activities Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 672,907
Cash payments to suppliers for goods and services	(341,767)
Cash payments to employees for services	(193,094)
Net cash provided by operating activities	<u>\$ 138,046</u>
Cash flows from noncapital financing activities:	
Miscellaneous income	\$ 2,393
Transfers in	21,455
Due from other funds received	<u>13,429</u>
Net cash provided by noncapital financing activities	<u>\$ 37,277</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (524,146)
Contribution capital received	<u>509,381</u>
Net cash used by capital financing activities	<u>\$ (14,765)</u>
Cash flows from investing activities:	
Interest on cash and investments	\$ 5,842
Patronage dividends	<u>4,597</u>
Total cash flows provided from investing activities	<u>\$ 10,439</u>
Net increase (decrease) in cash and cash investments	\$ 170,997
Cash and Cash investments, July 1, 2012	<u>604,855</u>
Cash and Cash investments, June 30, 2013	<u>\$ 775,852</u>
	(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2013

	Business-type Activities Enterprise Funds
	<u>Water and Sewer</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:	
Income from operations	\$ 8,177
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:	
Depreciation	\$ 142,879
Change in assets and liabilities:	
Increase in accounts receivable	(17,405)
Increase in accounts payable	3,681
Increase in customer deposits	2,115
Decrease in payroll taxes payable	(1,401)
Net cash provided by operating activities	<u>\$ 138,046</u>
	(Concluded)

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, 2013

INTRODUCTION

The Town of Hornbeck was incorporated in 1902 under the provisions of the Lawson Act. The Town 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 Town 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 900 residents.

The Town is located within Vernon Parish in the southwestern part of the State of Louisiana and is comprised of approximately 430 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 Town. The police department consists of an elected chief of police and two other deputies.

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.

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.

Property taxes, franchise 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 Town'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 Town 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 Town's public facilities. The sales tax was levied on November 19, 1983 and is a perpetual tax for the Town.

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.

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.

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 eight 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; and
2. imposed by law through constitutional provisions or enabling legislation.

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.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

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 budget for the General Fund is 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 funds had actual expenditures over budgeted appropriations for the year ended June 30, 2013:

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	\$ 124,013	\$ 109,115	\$ 110,094	\$ 979
Sales Tax Fund	31,890	21,363	21,406	43

3. CASH AND CASH EQUIVALENTS

At June 30, 2013, the municipality has cash and cash equivalents (book balances) totaling \$871,899 as follows:

Demand deposits	\$ 41
Time deposits	563,501
Interest bearing demand deposits	307,946
Petty cash	411
Total	<u>\$ 871,899</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2013, the municipality has \$900,827 in deposits (collected bank balances). These deposits are secured from risk by \$250,042 of federal deposit insurance and \$650,785 pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 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 has failed to pay deposited funds upon demand.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

4. RECEIVABLES

The receivables of \$152,595 at June 30, 2013, 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	\$ -	\$ 5,214	\$ -	\$ 5,214
Franchise	2,468	-	-	2,468
Hotel/motel	11,236	-	-	11,236
Accounts	-	-	48,704	48,704
Grants	-	-	74,863	74,863
Mowing right of way	2,330	-	-	2,330
Insurance premium taxes	7,780	-	-	7,780
Total	<u>\$ 23,814</u>	<u>\$ 5,214</u>	<u>\$ 123,567</u>	<u>\$ 152,595</u>

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2013, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	<u>\$ 156,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,291</u>
Capital assets being depreciated				
Buildings	925,528	-	-	925,528
Improvements other than building	1,293,291	-	-	1,293,291
Furniture and fixtures	19,313	-	-	19,313
Machinery and equipment	109,281	-	-	109,281
Vehicles	43,250	-	-	43,250
Total capital assets being depreciated	<u>2,390,663</u>	<u>-</u>	<u>-</u>	<u>2,390,663</u>
Less accumulated depreciation for:				
Buildings	61,469	3,546	-	65,015
Improvements other than building	208,624	25,194	-	233,818
Furniture and fixtures	1,623	1,804	-	3,427
Machinery and equipment	87,837	3,297	-	91,134
Vehicles	39,021	1,750	-	40,771
Total accumulated depreciation	<u>398,574</u>	<u>35,591</u>	<u>-</u>	<u>434,165</u>
Total capital assets being depreciated, net	<u>\$ 1,992,089</u>	<u>\$ (35,591)</u>	<u>\$ -</u>	<u>\$ 1,956,498</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	\$ 45,773	\$ -	\$ -	\$ 45,773
Construction in progress	214,529	584,673	734,232	64,970
Total capital assets not being depreciated	<u>260,302</u>	<u>584,673</u>	<u>734,232</u>	<u>110,743</u>
Capital assets being depreciated				
Vehicles	57,867	38,447	-	96,314
Buildings	894,517	-	-	894,517
Machinery and equipment	232,085	143,924	-	376,009
Furniture and fixtures	43,803	-	-	43,803
Distribution system	5,413,801	590,308	-	6,004,109
Total capital assets being depreciated	<u>6,642,073</u>	<u>772,679</u>	<u>-</u>	<u>7,414,752</u>
Less accumulated depreciation for:				
Vehicles	35,807	6,275	-	42,082
Buildings	882,128	418	-	882,546
Machinery and equipment	148,612	20,313	-	168,925
Furniture and fixtures	38,287	1,790	-	40,077
Distribution system	2,027,422	114,083	-	2,141,505
Total accumulated depreciation	<u>3,132,256</u>	<u>142,879</u>	<u>-</u>	<u>3,275,135</u>
Total business-type assets being depreciated, net	<u>\$ 3,509,817</u>	<u>\$ 629,800</u>	<u>\$ -</u>	<u>\$ 4,139,617</u>

Depreciation expense of \$35,591 for the year ended June 30, 2013, was charged to the following governmental functions:

Public safety	\$ 12,296
Public works	15,202
Culture and recreation	4,986
General administration	3,107
Total	<u>\$ 35,591</u>

6. CONSTRUCTION COMMITMENTS

The municipality has active construction projects as of June 30, 2013. The Town of Hornbeck has a water meter improvement project, a water line extension project, and a street rehabilitation project in progress that will upgrade and add to the current wastewater and water system. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Water meter improvements	\$ 36,473	\$ 358,527
Water line extension project	26,998	42,607
Street rehabilitation project	1,499	286,326
Total	<u>\$ 64,970</u>	<u>\$ 687,460</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

7. ACCOUNTS AND OTHER PAYABLES

The payables of \$115,877 at June 30, 2013, are as follows:

	General Fund	Sales Tax Fund	Proprietary Fund	Total
Accounts	\$ 1,658	\$ 141	\$ 11,811	\$ 13,610
Contracts	-	-	98,974	98,974
Payroll taxes	-	-	3,293	3,293
Total accounts and other payables	\$ 1,658	\$ 141	\$ 114,078	\$ 115,877

8. INTERFUND TRANSFERS

	Transfers In	Transfers Out
General Fund	\$ -	\$ 21,455
Proprietary Fund	21,455	-
Total	\$ 21,455	\$ 21,455

Transfers are used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations.

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.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the Town of Hornbeck is required to contribute at an actuarially determined rate. The current rate is 17.00 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

Notes to the Financial Statements (Continued)

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, 2013, 2012, and 2011, were \$26,102, \$24,786, and \$18,233, respectively, equal to the required contributions for each year.

10. STATE OF LOUISIANA, PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

The Town 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 or 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 \$17,000 and \$17,500 per calendar years for 2012 and 2013, respectively. Additionally if age 50 or older an additional amount may be deferred (up to \$5,500 and \$5,500 per calendar years 2012 and 2013 respectively) above the annual deferral limit.

A special "catch-up" provision may be used to invest up to \$15,000 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 .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:

- 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.

Notes to the Financial Statements (Concluded)

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	\$ 563,501
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The Special Revenue Fund – The Sales Tax Fund had restricted fund balance as follows:

Restricted assets:

Sales tax cash account	\$ 58,124
Sales tax receivable	5,214
Total restricted assets	<u>\$ 63,338</u>

Liabilities payable from restricted assets:

Accounts payable	<u>\$ 141</u>
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Restricted fund balance	<u>\$ 63,197</u>
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REQUIRED SUPPLEMENTAL INFORMATION

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over (under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Franchise fees	\$ 22,500	\$ 20,439	\$ 20,439	\$ -	\$ 20,439
Hotel/motel	22,500	11,355	30,145	18,790	30,145
Intergovernmental:					
State mowing contract	4,300	4,300	4,300	-	4,300
Occupational licenses and permits	20,155	11,789	19,569	7,780	19,569
Fees and charges for services	1,260	3,910	3,730	(180)	3,730
Investment income	200	473	473	-	473
Fines and forfeitures	23,516	19,050	19,077	27	19,077
Rentals	17,004	18,329	18,904	575	18,904
Miscellaneous	150	160	160	-	160
Total revenues	<u>\$ 111,585</u>	<u>\$ 89,805</u>	<u>\$ 116,797</u>	<u>\$ 26,992</u>	<u>\$ 116,797</u>

(Continued)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over (under)	Actual Amount GAAP Basis
	Original	Final			
Expenditures					
General government and administration	\$ 77,990	\$ 69,496	\$ 69,770	\$ (274)	\$ 69,770
Public safety	38,523	33,450	34,153	(703)	34,153
Culture and recreation	7,500	6,169	6,171	(2)	6,171
Total expenditures	<u>\$ 124,013</u>	<u>\$ 109,115</u>	<u>\$ 110,094</u>	<u>\$ (979)</u>	<u>\$ 110,094</u>
Excess (deficiency) of revenues over expenditures	\$ (12,428)	\$ (19,310)	\$ 6,703	\$ 26,013	\$ 6,703
Other financing sources (uses):					
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,455)</u>	<u>\$ (21,455)</u>	<u>\$ (21,455)</u>
Net change in fund balance	\$ (12,428)	\$ (19,310)	\$ (14,752)	\$ 4,558	\$ (14,752)
Fund balances at beginning of year	<u>62,332</u>	<u>74,831</u>	<u>74,831</u>	<u>-</u>	<u>74,831</u>
Fund balances at end of year	<u><u>\$ 49,904</u></u>	<u><u>\$ 55,521</u></u>	<u><u>\$ 60,079</u></u>	<u><u>\$ 4,558</u></u>	<u><u>\$ 60,079</u></u>

(Concluded)

Special Revenue Fund
Sales Tax Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over (under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Sales	\$ 34,700	\$ 41,141	\$ 46,356	\$ 5,215	\$ 46,356
Investment income	165	302	302	-	302
Total revenues	<u>\$ 34,865</u>	<u>\$ 41,443</u>	<u>\$ 46,658</u>	<u>\$ 5,215</u>	<u>\$ 46,658</u>
Expenditures					
General government and administration	\$ 2,250	\$ 3,547	\$ 3,590	\$ (43)	\$ 3,590
Public works	29,640	17,816	17,816	-	17,816
Total expenditures	<u>\$ 31,890</u>	<u>\$ 21,363</u>	<u>\$ 21,406</u>	<u>\$ (43)</u>	<u>\$ 21,406</u>
Excess (deficiency) of revenues over expenditures	\$ 2,975	\$ 20,080	\$ 25,252	\$ 5,172	\$ 25,252
Fund balances at beginning of year	<u>37,000</u>	<u>37,945</u>	<u>37,945</u>	<u>-</u>	<u>37,945</u>
Fund balances at end of year	<u><u>\$ 39,975</u></u>	<u><u>\$ 58,025</u></u>	<u><u>\$ 63,197</u></u>	<u><u>\$ 5,172</u></u>	<u><u>\$ 63,197</u></u>

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2013

BOARD MEMBERS	Compensation Paid
Jose Chavez	\$ 3,200
John Hyatt	3,000
Terri Whiddon	3,000
Greg Lantier	3,000
Lawrence Trotti	3,000
	<u>\$ 15,200</u>

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended June 30, 2013

Findings – Financial Statements Audit

There were no prior year audit findings as of June 30, 2012.

Schedule of Current Year Audit Findings and Management's Response
Year Ended June 30, 2013

Findings – Financial Statements Audit

There were no current year audit findings as of June 30, 2013.

John A. Windham, CPA

A Professional Corporation

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DeRidder, LA 70634
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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

I 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Hornbeck, Louisiana's basic financial statements, and have issued my report thereon dated December 18, 2013.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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, I 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 my audit and accordingly, I do not express such an opinion. The results of my 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 my 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, flowing style.

DeRidder, Louisiana
December 18, 2013