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TOWN OF HORNBECK, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date FEB 26 1997

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John A. Windham, CPA

## INDEPENDENT AUDITOR'S REPORT

The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Hornbeck, Louisiana, as of and for the year ended June 30, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Hornbeck, Louisiana, management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Hornbeck, Louisiana, as of June 30, 1996, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated December 12, 1996 on my consideration of the Town of Hornbeck's internal control structure and a report dated December 12, 1996 on its compliance with laws and regulations.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a

The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana  
Page 2

required part of the general purpose financial statements of the Town of Hornbeck, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*John A. Windham, CPA*  
DeRidder, Louisiana  
December 12, 1996

GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)

TOWN OF HORNBECK

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP  
June 30, 1996

ASSETS	Governmental Fund Types	
	General	Special Revenue
Cash and cash equivalents	\$ 65,725	\$ 26,848
Receivables (net) -		
Accounts	---	---
Sales taxes	---	1,768
Franchise taxes	1,453	---
Due from other funds	1,000	---
Due from other governmental units	577	---
Prepaid expenditures/expenses	6,332	---
Restricted assets -		
Cash and cash equivalents	---	---
Customers' deposits	---	---
Property, plant, and equipment, net	---	---
Total assets	<u>\$ 75,087</u>	<u>\$ 28,616</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 2,409	\$ 846
Payroll taxes payable	81	---
Payable from restricted assets -		
Customers' deposits	---	---
Due to other funds	---	---
Total liabilities	<u>\$ 2,490</u>	<u>\$ 846</u>
Fund equity:		
Contributed capital	\$ ---	\$ ---
Investment in general fixed assets	---	---
Retained earnings (deficit) -		
Reserved for replacement and extension	---	---
Unreserved	---	---
Fund balances -		
Unreserved -undesignated	72,597	27,770
Total fund equity	<u>\$ 72,597</u>	<u>\$ 27,770</u>
Total liabilities and fund equity	<u>\$ 75,087</u>	<u>\$ 28,616</u>



## Statement A

<u>Proprietary Fund Type Enterprise</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only)</u>
\$ 59,238	\$ ---	\$ 151,811
18,766	---	18,766
---	---	1,768
---	---	1,453
2,454	---	3,454
---	---	577
9,118	---	15,450
281,995	---	281,995
17,881	---	17,881
<u>2,630,849</u>	<u>286,613</u>	<u>2,917,462</u>
<u>\$3,020,301</u>	<u>\$ 286,613</u>	<u>\$3,410,617</u>
\$ 14,178	\$ ---	\$ 17,433
6,807	---	6,888
39,460	---	39,460
<u>3,454</u>	<u>---</u>	<u>3,454</u>
<u>\$ 63,899</u>	<u>\$ ---</u>	<u>\$ 67,235</u>
\$3,175,802	\$ ---	\$3,175,802
---	286,613	286,613
260,766	---	260,766
(480,166)	---	(480,166)
---	---	100,367
<u>\$2,956,402</u>	<u>\$ 286,613</u>	<u>\$3,343,382</u>
<u>\$3,020,301</u>	<u>\$ 286,613</u>	<u>\$3,410,617</u>

The accompanying notes are an integral part of this statement.



## TOWN OF HORNBECK

Statement B

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 Year Ended June 30, 1996

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Taxes	\$ 10,993	\$ 16,789	\$ 27,782
Licenses and permit	10,627	---	10,627
Intergovernmental	13,605	---	13,605
Fines and forfeits	36,060	---	36,060
Use of money and property	24,290	987	25,277
Miscellaneous	749	---	749
Total revenues	<u>\$ 96,324</u>	<u>\$ 17,776</u>	<u>\$ 114,100</u>
Expenditures:			
General government	\$ 23,420	\$ 1,472	\$ 24,892
Public safety	30,791	---	30,791
Public works	10,000	22,797	32,797
Culture and recreation	7,155	---	7,155
Total expenditures	<u>\$ 71,366</u>	<u>\$ 24,269</u>	<u>\$ 95,635</u>
Excess (deficiency) of revenues over expenditures	\$ 24,958	\$ (6,493)	\$ 18,465
Other financing sources:			
Sale of assets	<u>\$ 1,052</u>	<u>\$ ---</u>	<u>\$ 1,052</u>
Excess (deficiency) revenues and other sources over expenditures	\$ 26,010	\$ (6,493)	\$ 19,517
Fund balances, beginning	<u>46,587</u>	<u>34,263</u>	<u>80,850</u>
Fund balances, ending	<u>\$ 72,597</u>	<u>\$ 27,770</u>	<u>\$ 100,367</u>

The accompanying notes are an integral part of this statement.

TOWN OF HORNBECK

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -  
 ALL GOVERNMENTAL FUND TYPES  
 Year Ended June 30, 1996

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 10,619	\$ 10,993	\$ 374
Licenses and permits	11,390	10,627	(763)
Intergovernmental	13,605	13,605	---
Fines and forfeits	36,305	36,060	(245)
Use of money and property	24,312	24,290	(22)
Miscellaneous	826	749	(77)
Total revenues	<u>\$ 97,057</u>	<u>\$ 96,324</u>	<u>\$ (733)</u>
<b>Expenditures:</b>			
General government	\$ 24,977	\$ 23,420	\$ 1,557
Public safety	29,808	30,791	(983)
Public works	10,000	10,000	---
Culture and recreation	7,156	7,155	1
Total expenditures	<u>\$ 71,941</u>	<u>\$ 71,366</u>	<u>\$ 575</u>
Excess (deficiency) of revenues over expenditures	\$ 25,116	\$ 24,958	\$ (158)
Other financing sources: Sale of assets	<u>\$ 1,052</u>	<u>\$ 1,052</u>	<u>\$ ---</u>
Excess (deficiency) of revenues and other sources over expenditures	\$ 26,168	\$ 26,010	\$ (158)
Fund balance, beginning	<u>46,587</u>	<u>46,587</u>	<u>---</u>
Fund balance, ending	<u>\$ 72,755</u>	<u>\$ 72,597</u>	<u>\$ (158)</u>

## Statement C

Special Revenue Fund Type			Totals (Memorandum) Only		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 14,900	\$ 16,789	\$ 1,889	\$ 25,519	\$ 27,782	\$ 2,263
---	---	---	11,390	10,627	(763)
---	---	---	13,605	13,605	---
---	---	---	36,305	36,060	(245)
949	987	38	25,261	25,277	16
---	---	---	826	749	(77)
<u>\$ 15,849</u>	<u>\$ 17,776</u>	<u>\$ 1,927</u>	<u>\$112,906</u>	<u>\$114,100</u>	<u>\$ 1,194</u>
\$ 1,026	\$ 1,472	\$ (446)	\$ 26,003	\$ 24,892	\$ 1,111
---	---	---	29,808	30,791	(983)
23,217	22,797	420	33,217	32,797	420
---	---	---	7,156	7,155	1
<u>\$ 24,243</u>	<u>\$ 24,269</u>	<u>\$ (26)</u>	<u>\$ 96,184</u>	<u>\$ 95,635</u>	<u>\$ 549</u>
\$ (8,394)	\$ (6,493)	\$ 1,901	\$ 16,722	\$ 18,465	\$ 1,743
\$ ---	\$ ---	\$ ---	\$ 1,052	\$ 1,052	\$ ---
\$ (8,394)	\$ (6,493)	\$ 1,901	\$ 17,774	\$ 19,517	\$ 1,743
<u>34,263</u>	<u>34,263</u>	<u>---</u>	<u>80,850</u>	<u>80,850</u>	<u>---</u>
<u>\$ 25,869</u>	<u>\$ 27,770</u>	<u>\$ 1,901</u>	<u>\$ 98,624</u>	<u>\$100,367</u>	<u>\$ 1,743</u>

The accompanying notes are an integral part of this statement.

## TOWN OF HORNBECK

Statement D

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN RETAINED EARNINGS - PROPRIETARY FUND TYPE  
 Year Ended June 30, 1996

	<u>Enterprise</u>
Operating revenues:	
Charges for services	\$ <u>453,503</u>
Operating expenses:	
Personal services	\$ 140,094
Supplies	200,303
Other services and charges	57,745
Heat, light, and power	17,249
Depreciation	<u>123,542</u>
Total operating expenses	\$ <u>538,933</u>
Operating income (loss)	\$ <u>(85,430)</u>
Non-operating revenues (expenses):	
Interest income	\$ 17,941
Rental income and other	409
Rental expense and other	(17,004)
Assets junked	<u>(5,464)</u>
Total non-operating revenues (expenses)	\$ <u>(4,118)</u>
Net income (loss)	\$ (89,548)
Retained earnings, (deficit), beginning	<u>(129,852)</u>
Retained earnings, (deficit), ending	<u>\$(219,400)</u>

The accompanying notes are an integral part of this statement.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
Year Ended June 30, 1996

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	\$ 453,363
Cash payments to suppliers for goods and services	(267,044)
Cash payments for employee services and employee related fringe benefits	<u>(140,094)</u>
Net cash provided by operating activities	<u>\$ 46,225</u>
 Cash flows from noncapital financing activities:	
Rental income and other	\$ 409
Rental expense and other	<u>(17,004)</u>
Net cash (used) for noncapital financing activities	<u>\$ (16,595)</u>
 Cash flows from capital and related financing activities:	
Construction grants received	\$ 44,060
Acquisition and construction of capital assets	(150,871)
Loss on asset dispositions	<u>(5,464)</u>
Net cash used for capital and related financing activities	<u>\$ (112,275)</u>
 Cash flows from investing activities:	
Interest on cash management activities	<u>\$ 19,119</u>
Net (decrease) in cash and cash equivalents	\$ (63,526)
Cash and cash equivalents, beginning of year	<u>422,640</u>
Cash and cash equivalents, end of year	<u>\$ 359,114</u>

(Continued)

The accompanying notes are an integral part of this statement

## TOWN OF HORNBECK

Statement E

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
 Year Ended June 30, 1996

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>Enterprise</u>
Operating income (loss)	\$ <u>(85,430)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 123,542
Changes in assets & liabilities	
Decrease in accounts receivable	468
Decrease in prepaid expenses	267
Increase in accounts payable	6,058
Increase in customer deposits	<u>1,320</u>
Total adjustments	<u>\$ 131,655</u>
Net cash provided by operating activities	<u>\$ 46,225</u>

(Concluded)

The accompanying notes are an integral part of this statement



## TOWN OF HORNBECK

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 1996

#### INTRODUCTION

The Town of Hornbeck was incorporated in 1902 under the provisions of the Lawrason 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 a general fund that provides police protection for it's citizens and repairs and maintenance of approximately 7 miles of roads and streets. The Town also maintains three enterprise funds that provide gas, water and sewer services to approximately 994 residents.

The Town is located within Vernon Parish in the southwestern part of the State of Louisiana and is comprised of approximately 485 residents. The governing board is composed of five elected aldermen that are compensated for the regular and special board meetings they attend. There are five employees which maintain the gas, water and sewer systems and provide police protection for the Town.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town of Hornbeck is considered a separate financial reporting entity. The Town of Hornbeck which is the primary government does not have (a) organizations for which the primary government is financially accountable, and (b) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, therefore the Town is also the financial reporting entity.

##### B. FUND ACCOUNTING

The municipality uses funds and account groups to report on its financial position and the results of its operations.



## TOWN OF HORNBECK

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental, and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

#### Governmental Fund

The governmental fund is used to account for all or most of the municipality's general activities, including the acquisition or construction of general fixed assets. The governmental fund includes:

1. General Fund - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special Revenue Fund - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

#### Proprietary Funds

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Proprietary Funds differ from the governmental fund in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator. Proprietary Funds include:

1. Enterprise funds - account 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,

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of the fund present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental fund. The governmental fund uses the following practices in recording revenues and expenditures:

Revenues

Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

D. BUDGET

The primary government municipality uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and 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.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budgets for the General Fund and Special Revenue 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. Such amendments were not material in relation to the original appropriations.

E. ENCUMBRANCES

The Town of Hornbeck does not use encumbrance accounting.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. CASH AND CASH EQUIVALENTS  
AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts and time deposits. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

G. SHORT-TERM INTERFUND  
RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

H. INVENTORIES

The Town of Hornbeck does not maintain an inventory. Purchases are made as needed for repair and maintenance and replacement of existing equipment.

I. PREPAID ITEMS

Prepaid amounts consist of insurance policy premiums paid in advance.

J. RESTRICTED ASSETS

Certain resources set aside for the replacement and extension of the gas system along with deposits made by customers for the gas, water and sewer systems are classified as restricted assets on the balance sheet because their use is limited.



TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

K. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are reported in the general fixed assets account group. Public domain or infrastructures are capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated cost if historical cost is not available.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation is computed using the straight line method and useful lives as follows:

Gas Utility - Distribution system	40 years
Building	20 years
Autos and trucks	3 years
Other equipment	10 years
Water Utility - Well, storage tanks, lines, and meters	15 years
Purification plant	15 years
Building	20 years
Other equipment	5-10 years
Sewer Utility - Distribution system	20 years
Other equipment	10 years

L. COMPENSATED ABSENCES

The Town allows employees to accumulate up to thirty days of sick leave. Upon termination employee's sick leave, will be paid up to the thirty day maximum. Due to the immateriality of accumulated sick leave no accrual of benefits has been provided for in the financial statements. The Town has no obligation to pay any other employee benefits.

M. LONG-TERM OBLIGATIONS

The Town of Hornbeck has no long-term obligations as of June 30, 1996.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

N. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

O. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

P. SALES TAXES

The Town of Hornbeck receives a one-percent sales tax which is dedicated to the general maintenance of streets.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Q. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

R. BAD DEBTS

Uncollectible amounts due for customers' utility receivables will be recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

2. FUND DEFICITS

The following individual fund had a deficit in its unreserved retained earnings at June 30, 1996:

<u>Fund</u>	<u>Deficit Amount</u>
Water Utility Fund	\$ 305,686
Sewer Utility Fund	262,460
Total	<u>\$ 568,146</u>

The retained deficits in the enterprise funds, arises because of the application of generally accepted accounting principles of financial reporting for such funds. Depreciation a non-cash expense, contributes to the deficit. Even though the retained deficit exists, the water utility fund and sewer utility fund had overall fund equities of \$356,976 and \$603,100 respectively at June 30, 1996. The Board of Commissioners will raise user fees to reduce the retained deficit, when needed.

3. LEVIED TAXES

No ad valorem taxes were levied as of June 30, 1996.



TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 1996:

	<u>Primary Government</u>
Demand deposits	\$ 25,941
Louisiana Asset Management Pool	281,995
Interest-bearing demand deposits	126,574
Money market accounts	17,006
Petty cash	<u>171</u>
Total	<u>\$ 451,687</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, 1996, the primary government has \$178,192 in deposits (collected bank balances) and \$281,995 invested in the Louisiana Asset Management Pool (LAMP). These deposits are secured from risk by \$141,937 of federal deposit insurance, \$502,846 of pledged securities held by the custodial bank in the name of the fiscal agent bank and \$281,995 invested in government securities in the LAMP program (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

5. INVESTMENTS

The Town of Hornbeck had no investments as of June 30, 1996.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. RECEIVABLES

The following is a summary of receivables for June 30, 1996:

<u>Class of Receivable</u>	<u>Primary Government</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>
<b>Taxes:</b>			
Franchise taxes	\$ 1,453	\$ ---	\$ ---
Sales taxes	---	1,768	---
<b>Utility billing:</b>			
Accounts	---	---	18,766
<b>Total</b>	<u>\$ 1,453</u>	<u>\$ 1,768</u>	<u>\$ 18,766</u>

7. FIXED ASSETS

The changes in general fixed assets follow:

	<u>Primary Government</u>			
	<u>Balance June 30, 1995</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1996</u>
Land	\$ 16,160	\$ ---	\$ ---	\$ 16,160
Buildings & improvements	44,203	7,000	---	51,203
Street improvements	158,226	32,420	---	190,646
Equipment	27,318	2,239	953	28,604
<b>Total</b>	<u>\$ 245,907</u>	<u>\$ 41,659</u>	<u>\$ 953</u>	<u>\$ 286,613</u>

A summary of proprietary property, plant and equipment follows:

	<u>Primary Government</u>
<b>Gas Utility:</b>	
Distribution system and plant	\$ 2,190,561
Other equipment	161,116
Autos and trucks	73,231
Building	30,636
<b>Water Utility:</b>	
Building	980
Distribution system and plant	777,742
Other equipment	771

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Primary Government

Sewer Utility:	
Land	\$ 17,123
Distribution system and plant	849,931
Other equipment	<u>7,760</u>
Total	<u>\$4,109,851</u>
Less accumulated depreciation	<u>(1,479,002)</u>
Net	<u>\$2,630,849</u>

8. PENSION PLAN

Substantially all employees of the Town of Hornbeck, are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, or Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Police Employees Retirement System of Louisiana (System)

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

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Hornbeck is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements 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 for the year ended June 30, 1996, 1995 and 1994 were \$883, \$710, and \$540, respectively equal to the required contributions for each year.

B. 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



TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 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 6.75 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, 1996, 1995, 1994, were \$7,160, \$5,945, \$6,239, respectively, equal to the required contributions for each year.

9. ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 1996:

<u>Class of Payable</u>	<u>Primary Government</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>
Withholdings	\$ 81	\$ ---	\$ 6,807
Accounts	2,409	846	14,178
Customer deposits	---	---	39,460
<b>Total</b>	<b>\$ 2,490</b>	<b>\$ 846</b>	<b>\$ 60,445</b>

10. LEASES

The Town of Hornbeck had no leases as of June 30, 1996.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 1996, are as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 1,000	\$ ---
Proprietary Funds:		
Water utility fund	---	1,000
Gas utility fund	2,454	---
Sewer utility fund	---	2,454
Total	<u>\$ 3,454</u>	<u>\$ 3,454</u>

12. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 1996, consisted of the following:

Tobacco taxes due from the State of Louisiana \$ 577

13. RESTRICTED ASSETS - PROPRIETARY FUND TYPES

Restricted assets were applicable to the following at June 30, 1996:

Replacement and extension account	\$ 281,995
Customers' deposits	<u>17,881</u>
Total	<u>\$ 299,876</u>

14. RESERVED RETAINED EARNINGS

The Proprietary Fund - Gas Utility Fund has reserved retained earnings available as follows:

Restricted assets:	
Replacement and extension account	\$ 281,995
Customers' deposits	<u>11,521</u>
Total	<u>\$ 293,516</u>
Less:	
Liabilities payable from restricted assets:	
Customers' deposits	<u>\$ 32,750</u>
Reserved retained earnings	<u>\$ 260,766</u>

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. CHANGES IN CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital:

	Primary Government			
	Gas Utility Fund	Water Utility Fund	Sewer Utility Fund	Total
Balance at June 30, 1995	\$ 1,603,520	\$ 662,662	\$ 865,560	\$3,131,742
Additions:				
Louisiana Department of Transportation and Development	44,060	---	---	44,060
Balance at June 30, 1996	\$ 1,647,580	\$ 662,662	\$ 865,560	\$3,175,802



SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TOWN OF HORNBECK  
GENERAL FUND

Schedule 1

BALANCE SHEET  
June 30, 1996

ASSETS	<u>1996</u>
Cash and cash equivalents	\$ 65,725
Franchise tax receivable	1,453
Due from water utility fund	1,000
Due from other governmental units - Tobacco taxes	577
Prepaid insurance	<u>6,332</u>
Total assets	<u>\$ 75,087</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 2,409
Payroll taxes payable	<u>81</u>
Total liabilities	<u>\$ 2,490</u>
Fund balance:	
Unreserved - undesignated	<u>\$ 72,597</u>
Total liabilities and fund balance	<u>\$ 75,087</u>

TOWN OF HORNBECK  
GENERAL FUND

Schedule 2

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 10,619	\$ 10,993	\$ 374
Licenses and permits	11,390	10,627	(763)
Intergovernmental	13,605	13,605	---
Fines and forfeits	36,305	36,060	(245)
Use of money and property	24,312	24,290	(22)
Miscellaneous	826	749	(77)
Total revenues	<u>\$ 97,057</u>	<u>\$ 96,324</u>	<u>\$ (733)</u>
<b>Expenditures:</b>			
General government	\$ 24,977	\$ 23,420	\$ 1,557
Public safety	29,808	30,791	(983)
Public works	10,000	10,000	---
Culture and recreation	7,156	7,155	1
Total expenditures	<u>\$ 71,941</u>	<u>\$ 71,366</u>	<u>\$ 575</u>
Excess (deficiency) of revenues over expenditures	\$ 25,116	\$ 24,958	\$ (158)
<b>Other financing sources:</b>			
Sale of assets	<u>\$ 1,052</u>	<u>\$ 1,052</u>	<u>\$ ---</u>
Excess (deficiency) of revenues and other sources over expenditures	\$ 26,168	\$ 26,010	\$ (158)
Fund balance, beginning	<u>46,587</u>	<u>46,587</u>	<u>---</u>
Fund balance, ending	<u>\$ 72,755</u>	<u>\$ 72,597</u>	<u>\$ (158)</u>

TOWN OF HORNBECK  
GENERAL FUND

Schedule 3

SCHEDULE OF REVENUES COMPARED TO BUDGET (GAAP BASIS)  
Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<b>Taxes:</b>			
Franchise	\$ 10,619	\$ 10,993	\$ 374
<b>Licenses and permits:</b>			
Occupational	\$ 11,390	\$ 10,627	\$ (763)
<b>Intergovernmental:</b>			
Tobacco taxes	\$ 2,309	\$ 2,309	\$ ---
Federal grant revenue	1,296	1,296	---
State grant in aid	<u>10,000</u>	<u>10,000</u>	<u>---</u>
Total inter- governmental	<u>\$ 13,605</u>	<u>\$ 13,605</u>	<u>\$ ---</u>
<b>Fines and forfeits:</b>			
Traffic fines	\$ 36,305	\$ 36,060	\$ (245)
<b>Use of money and property:</b>			
Interest earned	\$ 1,308	\$ 1,286	\$ (22)
Office rent	17,004	17,004	---
Operation fee	<u>6,000</u>	<u>6,000</u>	<u>---</u>
Total use of money and property	<u>\$ 24,312</u>	<u>\$ 24,290</u>	<u>\$ (22)</u>
<b>Miscellaneous:</b>			
Other revenues	\$ 826	\$ 749	\$ (77)
Total revenues	<u>\$ 97,057</u>	<u>\$ 96,324</u>	<u>\$ (733)</u>

TOWN OF HORNBECK  
GENERAL FUND

Schedule 4

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)  
Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
General government:			
Personal services	\$ 11,806	\$ 11,717	\$ 89
Dues	35	35	---
Utilities	5,530	6,559	(1,029)
Office expenditures	494	306	188
Legal and auditing	796	756	40
Insurance	5,192	1,739	3,453
Convention and travel	886	366	520
Miscellaneous	238	1,942	(1,704)
Total general government	<u>\$ 24,977</u>	<u>\$ 23,420</u>	<u>\$ 1,557</u>
Public safety:			
Police -			
Personal services	\$ 11,814	\$ 12,125	\$ (311)
Supplies	2,630	2,699	(69)
Insurance	3,505	3,814	(309)
Auto expense	5,605	5,752	(147)
Collection fees	3,861	3,963	(102)
Capital outlay	1,862	1,862	---
Total police	<u>\$ 29,277</u>	<u>\$ 30,215</u>	<u>\$ (938)</u>
Fire -			
Utilities	<u>\$ 531</u>	<u>\$ 576</u>	<u>\$ (45)</u>
Total public safety	<u>\$ 29,808</u>	<u>\$ 30,791</u>	<u>\$ (983)</u>
Public works:			
Highway and Streets -			
Capital outlay	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ ---</u>
Culture and recreation:			
Participant recreation	\$ 156	\$ 155	\$ 1
Capital outlay	<u>7,000</u>	<u>7,000</u>	<u>---</u>
Total culture and recreation	<u>\$ 7,156</u>	<u>\$ 7,155</u>	<u>\$ 1</u>
Total expenditures	<u>\$ 71,941</u>	<u>\$ 71,366</u>	<u>\$ 575</u>

(Continued)

TOWN OF HORNBECK  
GENERAL FUND

Schedule 4

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)  
Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Excess (deficiency) of revenues over expenditures	\$ 25,116	\$ 24,958	\$ (158)
Other financing sources: Sale of assets	<u>\$ 1,052</u>	<u>\$ 1,052</u>	<u>\$ ---</u>
Excess (deficiency) of revenues and other sources over expenditures	\$ 26,168	\$ 26,010	\$ (158)
Fund balance, beginning	<u>\$ 46,587</u>	<u>\$ 46,587</u>	<u>\$ ---</u>
Fund balance, ending	<u>\$ 72,755</u>	<u>\$ 72,597</u>	<u>\$ (158)</u>
			(Concluded)



SPECIAL REVENUE FUND

Sales Tax Fund - To account for the receipt and use of proceeds of the Town's 1% sales and use tax. These taxes are dedicated to expenditures for the improvement of roads, streets, water treatment, and general improvements and maintenance of public facilities of the Town.

TOWN OF HORNBECK  
SPECIAL REVENUE FUND  
SALES TAX FUND

Schedule 5

BALANCE SHEET  
June 30, 1996

ASSETS

Cash and cash equivalents	\$ 26,848
Sales tax receivable	<u>1,768</u>
Total assets	<u>\$ 28,616</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 846</u>

Fund balance:	
Unreserved - undesignated	<u>\$ 27,770</u>

Total liabilities and fund balance	<u>\$ 28,616</u>
---------------------------------------	------------------

TOWN OF HORNBECK  
SPECIAL REVENUE FUND  
SALES TAX FUND

Schedule 6

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
Year Ended June 30, 1996

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes - sales and use	\$ 14,900	\$ 16,789	\$ 1,889
Use of money and property - interest on deposits	949	987	38
Total revenues	\$ 15,849	\$ 17,776	\$ 1,927
<b>Expenditures:</b>			
General government - Other services and charges	\$ 1,026	\$ 1,472	\$ (446)
Public works - Highways and streets - Capital outlay	23,217	22,797	420
Total expenditures	\$ 24,243	\$ 24,269	\$ (26)
Excess (deficiency) of revenues over expenditures	\$ (8,394)	\$ (6,493)	\$ 1,901
Fund balance, beginning	34,263	34,263	---
Fund balance, ending	\$ 25,869	\$ 27,770	\$ 1,901

## ENTERPRISE FUNDS

- Gas Utility Fund - To account for the provision of gas services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- Water Utility Fund - To account for the provision of water services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- Sewer Utility Fund - To account for the provision of sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF HORNBECK  
ENTERPRISE FUNDS

COMBINING BALANCE SHEET  
June 30, 1996

ASSETS	<u>Gas Utility</u>	<u>Water Utility</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 36,100	\$ 15,078
Accounts receivable, net	13,214	3,683
Prepaid expenses	7,829	1,201
Due from sewer fund	<u>2,454</u>	<u>---</u>
Total current assets	<u>\$ 59,597</u>	<u>\$ 19,962</u>
<b>Restricted assets:</b>		
Replacement and extension account -		
Cash and cash equivalents	\$ 281,995	\$ ---
Customers' deposits -		
Cash and cash equivalents	<u>11,520</u>	<u>6,283</u>
Total restricted assets	<u>\$ 293,515</u>	<u>\$ 6,283</u>
<b>Fixed assets:</b>		
Property, plant, and equipment; at cost, net of accumulated depreciation	<u>\$1,694,221</u>	<u>\$ 339,787</u>
Total assets	<u>\$2,047,333</u>	<u>\$ 366,032</u>

<u>Sewer Utility</u>	<u>Totals</u>
\$ 8,060	\$ 59,238
1,869	18,766
88	9,118
---	<u>2,454</u>
<u>\$ 10,017</u>	<u>\$ 89,576</u>
\$ ---	\$ 281,995
<u>78</u>	<u>17,881</u>
<u>\$ 78</u>	<u>\$ 299,876</u>
<u>\$ 596,841</u>	<u>\$2,630,849</u>
<u>\$ 606,936</u>	<u>\$3,020,301</u>

(Continued)

TOWN OF HORNBECK  
ENTERPRISE FUNDS

COMBINING BALANCE SHEET  
June 30, 1996

LIABILITIES AND FUND EQUITY	<u>Gas Utility</u>	<u>Water Utility</u>
<b>Liabilities:</b>		
Current liabilities (payable from current assets):		
Accounts payable	\$ 11,450	\$ 1,591
Payroll taxes payable	6,807	---
Due to other funds	<u>---</u>	<u>1,000</u>
Total current liabilities (payable from current assets)	<u>\$ 18,257</u>	<u>\$ 2,591</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	<u>\$ 32,750</u>	<u>\$ 6,465</u>
Total liabilities	<u>\$ 51,007</u>	<u>\$ 9,056</u>
<b>Fund equity:</b>		
Contributed capital -		
Municipality	\$ ---	\$ 31,000
Federal and state funds	<u>1,647,580</u>	<u>631,662</u>
Total contributed capital	<u>\$1,647,580</u>	<u>\$ 662,662</u>
Retained earnings (deficit) -		
Reserved for replacement and extension	\$ 260,766	\$ ---
Unreserved	<u>87,980</u>	<u>(305,686)</u>
Total retained earnings (deficit)	<u>\$ 348,746</u>	<u>\$ (305,686)</u>
Total fund equity	<u>\$1,996,326</u>	<u>\$ 356,976</u>
Total liabilities and fund equity	<u>\$2,047,333</u>	<u>\$ 366,032</u>

Schedule 7

<u>Sewer Utility</u>	<u>Totals</u>
\$ 1,137	\$ 14,178
---	6,807
2,454	3,454
\$ 3,591	\$ 24,439
\$ 245	\$ 39,460
\$ 3,836	\$ 63,899
\$ ---	\$ 31,000
865,560	3,144,802
\$ 865,560	\$3,175,802
\$ ---	\$ 260,766
(262,460)	(480,166)
\$ (262,460)	\$ (219,400)
\$ 603,100	\$2,956,402
\$ 606,936	\$3,020,301

(Concluded)



TOWN OF HORNBECK  
ENTERPRISE FUNDS

COMBINING SCHEDULE OF REVENUES,  
EXPENSES, AND CHANGES IN RETAINED EARNINGS (Deficit)  
Year Ended June 30, 1996

	<u>Gas Utility</u>	<u>Water Utility</u>
Operating revenues:		
Charges for services	\$ <u>387,478</u>	\$ <u>43,573</u>
Operating expenses:		
Personal services	\$ 140,094	\$ ---
Supplies	186,548	7,526
Other services and charges	48,133	6,874
Heat, light, and power	7,169	8,422
Depreciation	<u>69,502</u>	<u>10,944</u>
Total operating expenses	\$ <u>451,446</u>	\$ <u>33,766</u>
Operating income (loss)	\$ <u>(63,968)</u>	\$ <u>9,807</u>
Non-operating revenues (expenses):		
Interest income	\$ 17,636	\$ 305
Rental income and other	381	28
Rental expense and other	(12,000)	(3,000)
Assets junked	<u>(5,464)</u>	<u>---</u>
Total non-operating revenues (expenses)	\$ <u>553</u>	\$ <u>(2,667)</u>
Income (loss) before operating transfers	\$ (63,415)	\$ 7,140
Operating transfers in (out)	<u>10,100</u>	<u>(7,700)</u>
Net income (loss)	\$ (53,315)	\$ (560)
Retained earnings (deficit), beginning	<u>402,061</u>	<u>(305,126)</u>
Retained earnings (deficit), ending	\$ <u>348,746</u>	\$ <u>(305,686)</u>

<u>Sewer Utility</u>	<u>Totals</u>
\$ 22,452	\$ 453,503
\$ ---	\$ 140,094
6,229	200,303
2,738	57,745
1,658	17,249
<u>43,096</u>	<u>123,542</u>
\$ 53,721	\$ 538,933
\$ (31,269)	\$ (85,430)
\$ ---	\$ 17,941
---	409
(2,004)	(17,004)
<u>---</u>	<u>(5,464)</u>
\$ (2,004)	\$ (4,118)
\$ (33,273)	\$ (89,548)
<u>(2,400)</u>	<u>---</u>
\$ (35,673)	\$ (89,548)
<u>(226,787)</u>	<u>(129,852)</u>
\$ (262,460)	\$ (219,400)

TOWN OF HORNBECK  
ENTERPRISE FUNDS

COMBINING SCHEDULE OF CASH FLOWS  
Year Ended June 30, 1996

	<u>Gas Utility</u>	<u>Water Utility</u>
Cash flows from operating activities:		
Cash received from customers	\$ 387,891	\$ 43,195
Cash payments to suppliers for goods and services	(235,489)	(23,204)
Cash payments for employee services and employee related fringe benefits	<u>(140,094)</u>	<u>---</u>
Net cash provided (used) by operating activities	<u>\$ 12,308</u>	<u>\$ 19,991</u>
 Cash flows from noncapital financing activities:		
Rental income and other	\$ 381	\$ 28
Rental expense and other	(12,000)	(3,000)
Operating transfers in (out)	<u>10,100</u>	<u>(7,700)</u>
Net cash provided (used) for noncapital financing activities	<u>\$ (1,519)</u>	<u>\$ (10,672)</u>
 Cash flows from capital and related financing activities:		
Construction grants received	\$ 44,060	\$ ---
Acquisition and construction of capital assets	(147,332)	---
Loss on asset dispositions	<u>(5,464)</u>	<u>---</u>
Net cash used for capital and related financing activities	<u>\$ (108,736)</u>	<u>\$ ---</u>
 Cash flows from investing activities:		
Interest on cash management activities	<u>\$ 18,814</u>	<u>\$ 305</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (79,133)</u>	<u>\$ 9,624</u>
 Cash and cash equivalents, beginning of year	<u>408,748</u>	<u>11,737</u>
Cash and cash equivalents, end of year	<u>\$ 329,615</u>	<u>\$ 21,361</u>

Schedule 9

<u>Sewer Utility</u>	<u>Totals</u>
\$ 22,277	\$ 453,363
(8,351)	(267,044)
<u>---</u>	<u>(140,094)</u>
<u>\$ 13,926</u>	<u>\$ 46,225</u>
\$ ---	\$ 409
(2,004)	(17,004)
<u>(2,400)</u>	<u>---</u>
<u>\$ (4,404)</u>	<u>\$ (16,595)</u>
\$ ---	\$ 44,060
(3,539)	(150,871)
<u>---</u>	<u>(5,464)</u>
<u>\$ (3,539)</u>	<u>\$ (112,275)</u>
<u>\$ ---</u>	<u>\$ 19,119</u>
\$ 5,983	\$ (63,526)
<u>2,155</u>	<u>422,640</u>
<u>\$ 8,138</u>	<u>\$ 359,114</u>

(Continued)

TOWN OF HORNBECK  
ENTERPRISE FUNDS

COMBINING SCHEDULE OF CASH FLOWS  
Year Ended June 30, 1996

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>Gas Utility</u>	<u>Water Utility</u>
Operating income (loss)	\$ (63,968)	\$ 9,807
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	\$ 69,502	\$ 10,944
Changes in assets & liabilities		
(Increase) decrease in accounts receivable	\$ 1,018	\$ (222)
(Increase) decrease in prepaid expenses	(19)	310
(Increase) decrease in due from other funds	(2,454)	---
Increase (decrease) in accounts payable	7,254	(948)
Increase in customer deposits	975	100
Total adjustments	<u>\$ 76,276</u>	<u>\$ 10,184</u>
Net cash provided (used) by operating activities	<u>\$ 12,308</u>	<u>\$ 19,991</u>

Schedule 9

<u>Sewer Utility</u>	<u>Totals</u>
\$ (31,269)	\$ (85,430)
\$ 43,096	\$ 123,542
\$ (328)	468
(24)	267
2,454	---
(248)	6,058
245	1,320
<u>\$ 45,195</u>	<u>\$ 131,655</u>
<u>\$ 13,926</u>	<u>\$ 46,225</u>

(Concluded)



GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

## TOWN OF HORNBECK

Schedule 10

SCHEDULE OF GENERAL FIXED ASSETS  
June 30, 1996

General fixed assets, at cost:	
Land	\$ 16,160
Buildings	51,203
Street improvements	190,646
Equipment	<u>28,604</u>
Total general fixed assets	<u>\$ 286,613</u>
Investment in general fixed assets:	
General fund revenues	\$ 73,147
Sales tax fund revenues	62,323
Federal grants	98,700
State grants	35,718
State revenue sharing funds	725
Gift	<u>16,000</u>
Total investment in general fixed assets	<u>\$ 286,613</u>

TOWN OF HORNBECK

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
Year Ended June 30, 1996

	<u>Land</u>	<u>Buildings</u>
General fixed assets, beginning	\$ 16,160	\$ 44,203
Additions	---	7,000
Deletion	<u>---</u>	<u>---</u>
General fixed assets, ending	<u>\$ 16,160</u>	<u>\$ 51,203</u>

<u>Street</u> <u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
\$ 158,226	\$ 27,318	\$ 245,907
32,420	2,239	41,659
---	(953)	(953)
<u>\$ 190,646</u>	<u>\$ 28,604</u>	<u>\$ 286,613</u>

TOWN OF HORNBECK

Schedule 12

SCHEDULE OF COMPENSATION PAID ALDERMEN  
 Year Ended June 30, 1996

ALDERMEN	<u>Compensation Paid</u>
Doyle Carpenter	\$ 1,300
Jose Chavez	1,300
Arthur S. Cole, Mayor	4,550
Michael Behan	1,200
Stieve Holley	1,300
Lawrence Trotti	<u>1,200</u>
	<u>\$ 10,850</u>

# John A. Windham, CPA

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John A. Windham, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH "GOVERNMENT AUDITING STANDARDS"

The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana

I have audited the general purpose financial statements of the Town of Hornbeck, Louisiana, as of and for the year ended June 30, 1996, and have issued my report thereon dated December 12, 1996.

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

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

In planning and performing my audit of the general purpose financial statements of the Town of Hornbeck, Louisiana, for the year ended June 30, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant



The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana  
Page 2

policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

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

#### General Fixed Assets

##### Finding:

The Town of Hornbeck, Louisiana, does not maintain a General Fixed Asset ledger.

##### Recommendation:

I recommend that the Town of Hornbeck, Louisiana, take an inventory of its fixed assets including tagging them, establishing cost and setting responsibility for the assets with a department head. Also, at least annually the Town would need to inventory the assets and investigate any discrepancies noted.

##### Management's response:

The Town will begin looking at fixed asset systems used by others and tailor a system that will suit their needs. The assets will be tagged, counted and priced out at either historical cost or estimated historical cost if the actual cost is not known. A fixed asset ledger will be maintained and periodic inventories will be taken. The Town is taking an inventory of its fixed assets. It has started in the police department and will inventory the town hall assets next.

The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana  
Page 3

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

I also noted other matters involving the internal control structure and its operation that I have reported to the management of the Town of Hornbeck, Louisiana, in a separate letter dated December 12, 1996.

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

*John A. Windham, CPA*

DeRidder, Louisiana  
December 12, 1996

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana

I have audited the general purpose financial statements of the Town of Hornbeck, Louisiana, as of and for the year ended June 30, 1996, and have issued my report thereon dated December 12, 1996.

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

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

The results of my tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS.

I noted certain immaterial instances of noncompliance that I have reported to the management of the Town of Hornbeck in a separate letter dated December 12, 1996.

The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana  
Page 2

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

*John A. Windham, CPA*

DeRidder, Louisiana  
December 12, 1996

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John A. Windham, CPA

December 12, 1996

The Honorable Arthur S. Cole, Mayor  
and the Members of The Board of Aldermen  
Town of Hornbeck, Louisiana

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In planning and performing my audit of the general purpose financial statements of the Town of Hornbeck, Louisiana, for the year ended June 30, 1996, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that in my judgement, could adversely affect the Town of Hornbeck, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

## General Fixed Assets

### Finding:

The Town of Hornbeck, Louisiana, does not maintain a General Fixed Asset ledger.

### Recommendation:

I recommend that the Town of Hornbeck, Louisiana, take an inventory of it's fixed assets including tagging them, establishing cost and setting responsibility for the assets with a department head. Also, at least annually the Town would need to inventory the assets and investigate any discrepancies noted.

### Management's response:

The Town will begin looking at fixed asset systems used by others and tailor a system that will suit their needs. The assets will be tagged, counted and priced out at either historical cost or estimated historical cost if the actual cost is not known. A fixed asset ledger will be maintained and periodic inventories will be taken.



The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Alderman  
Town of Hornbeck, Louisiana  
Page 2

The Town is taking an inventory of its fixed assets. It has started in the police department and will inventory the town hall assts next.

#### Utility Billing Delinquencies

**Finding:**

Procedures applied to utility billings and subsequent collections turned up a larger than normal amount of delinquencies. Delinquencies in prior years averaged approximately 6% where as this year the average went up to 12.44% for the three utility funds.

**Recommendation:**

I recommend that the Town's management investigate these delinquencies and adopt a policy for dealing with them. Management should also closely monitor the delinquency list on a monthly basis.

**Management's response:**

Management will investigate the reasons for the increase in delinquencies and adopt and enforce a policy that will be adhered to in order to bring the delinquencies down to an acceptable minimum.

#### Customer Deposits

**Finding:**

The three utility funds restricted asset cash accounts for customer deposits did not have balances large enough to cover the customer deposit liabilities.

**Recommendation:**

I recommend that the restricted asset cash account balances be brought up to an amount at least equal to the customer deposit liabilities.

**Managements response:**

Management has large enough cash reserves in other accounts that can be moved to the customer deposit restricted asset cash account. Management will move the cash necessary from their other cash accounts into the restricted asset customer deposit cash accounts.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being



The Honorable Arthur S. Cole, Mayor  
and the Members of the Board of Alderman  
Town of Hornbeck, Louisiana  
Page 3

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in my audit of the June 30, 1996 general purpose financial statements, and this report does not affect my report on those general purpose financial statements dated December 12, 1996. I have not considered the internal control structure since the date of my report.

This report is intended solely for the information of management, and the Legislative Auditor. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*John A. Windham CPA*  
DeRidder, Louisiana  
December 12, 1996