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TOWN OF HORNBECK, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 1999

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 JAN 0 5 2000

C O N T E N T S

	Statement	Schedule	Page(s)
INDEPENDENT AUDITOR'S REPORT			1-2
GENERAL PURPOSE FINANCIAL STATEMENTS (COMBINED STATEMENTS - OVERVIEW)			3
Combined balance sheet - all fund types and account group	A		4
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types	B		5
Combined statement of revenues, expenditures, and changes in fund balances - budget (GAAP basis) and actual - all governmental fund types	C		6
Combined statement of revenues, expenses, and changes in retained earnings - proprietary fund type	D		7
Combined statement of cash flows - proprietary fund type	E		8-9
Notes to financial statements			10-24
SUPPLEMENTAL INFORMATION SCHEDULES			25
General Fund:			26
Balance sheet		1	27
Schedule of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual		2	28
Schedule of revenues compared to budget (GAAP basis)		3	29
Schedule of expenditures compared to budget (GAAP basis)		4	30-31
Special Revenue Fund:			32
Sales tax fund -			
Balance sheet		5	33
Schedule of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual		6	34

C O N T E N T S

	Exhibit	Schedule	Page(s)
Enterprise Funds:			35
Combining balance sheet		7	36-37
Combining schedule of revenues, expenses, and changes in retained earnings (deficit)		8	38
Combining schedule of cash flows		9	39-40
General Fixed Assets Account Group:			41
Schedule of general fixed assets		10	42
Schedule of changes in general fixed assets		11	43
Schedule of Compensation Paid Aldermen		12	44
Schedule of Prior Year Audit Findings:			45
Schedule of Prior Year Audit Findings		13	46
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"			47-48

John A. Windham, CPA

A Professional Corporation

1620 North Pine St.
DeRidder, LA 70634
Tel. (318) 462-3211
Fax. (318) 462-0640

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, 1999, 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 general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Hornbeck, Louisiana, as of June 30, 1999, 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 my report dated November 29, 1999 on my consideration of the Town of Hornbeck's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants.

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
November 29, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

TOWN OF HORNBECK

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
June 30, 1999

ASSETS	Governmental Fund Types	
	<u>General</u>	<u>Special Revenue</u>
Cash and cash equivalents	\$ 47,706	\$ 10,995
Receivables -		
Accounts	---	---
Sales taxes	---	2,007
Franchise taxes	1,380	---
Due from other funds	3,300	---
Due from other governmental units	577	---
Prepaid expenditures/expenses	7,159	---
Restricted assets -		
Cash and cash equivalents	---	---
Customers' deposits - cash	---	---
Property, plant, and equipment, net	---	---
Total assets	<u>\$ 60,122</u>	<u>\$ 13,002</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 23,987	\$ 146
Payable from restricted assets -		
Customers' deposits	---	---
Due to other funds	---	---
Total liabilities	<u>\$ 23,987</u>	<u>\$ 146</u>
Fund equity:		
Contributed capital	\$ ---	\$ ---
Investment in general fixed assets	---	---
Retained earnings (deficit) -		
Reserved	---	---
Unreserved	---	---
Fund balances -		
Unreserved -undesignated	<u>36,135</u>	<u>12,856</u>
Total fund equity	<u>\$ 36,135</u>	<u>\$ 12,856</u>
Total liabilities and fund equity	<u>\$ 60,122</u>	<u>\$ 13,002</u>

Statement A

<u>Proprietary Fund Type Enterprise</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only)</u>
\$ 239,594	\$ ---	\$ 298,295
21,467	---	21,467
---	---	2,007
---	---	1,380
---	---	3,300
---	---	577
5,762	---	12,921
197,743	---	197,743
44,466	---	44,466
<u>2,333,817</u>	<u>386,171</u>	<u>2,719,988</u>
<u>\$2,842,849</u>	<u>\$ 386,171</u>	<u>\$3,302,144</u>
\$ 6,725	\$ ---	\$ 30,858
42,477	---	42,477
<u>3,300</u>	<u>---</u>	<u>3,300</u>
<u>\$ 52,502</u>	<u>\$ ---</u>	<u>\$ 76,635</u>
\$3,219,505	\$ ---	\$3,219,505
---	386,171	386,171
199,789	---	199,789
(628,947)	---	(628,947)
---	---	48,991
<u>\$2,790,347</u>	<u>\$ 386,171</u>	<u>\$3,225,509</u>
<u>\$2,842,849</u>	<u>\$ 386,171</u>	<u>\$3,302,144</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, 1999

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Taxes	\$ 16,271	\$ 12,663	\$ 28,934
Licenses and permit	13,204	---	13,204
Intergovernmental	12,309	---	12,309
Fines and forfeits	22,858	---	22,858
Use of money and property	24,099	198	24,297
Miscellaneous	800	---	800
Total revenues	<u>\$ 89,541</u>	<u>\$ 12,861</u>	<u>\$ 102,402</u>
Expenditures:			
General government	\$ 43,624	\$ 2,394	\$ 46,018
Public safety	55,044	---	55,044
Public works	19,939	23,479	43,418
Total expenditures	<u>\$ 118,607</u>	<u>\$ 25,873</u>	<u>\$ 144,480</u>
Excess (deficiency) of revenues over expenditures	\$ (29,066)	\$ (13,012)	\$ (42,078)
Other financing sources (uses):			
Transfers out	\$ (12,695)	\$ ---	\$ (12,695)
Sale of assets	475	---	475
Total other financing sources (uses):	<u>\$ (12,220)</u>	<u>\$ ---</u>	<u>\$ (12,220)</u>
Excess (deficiency) of revenues over expenditures and other uses	\$ (41,286)	\$ (13,012)	\$ (54,298)
Fund balances, beginning	<u>77,421</u>	<u>25,868</u>	<u>103,289</u>
Fund balances, ending	<u>\$ 36,135</u>	<u>\$ 12,856</u>	<u>\$ 48,991</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, 1999

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 15,880	\$ 16,271	\$ 391
Licenses and permits	12,500	13,204	704
Intergovernmental	12,309	12,309	---
Fines and forfeits	23,116	22,858	(258)
Use of money and property	24,128	24,099	(29)
Miscellaneous	985	800	(185)
Total revenues	<u>\$ 88,918</u>	<u>\$ 89,541</u>	<u>\$ 623</u>
Expenditures:			
General government	\$ 42,436	\$ 43,624	\$ (1,188)
Public safety	54,396	55,044	(648)
Public works	19,939	19,939	---
Total expenditures	<u>\$116,771</u>	<u>\$118,607</u>	<u>\$ (1,836)</u>
Excess (deficiency) of revenues over expenditures	\$(27,853)	\$(29,066)	\$ (1,213)
Other financing sources (uses):			
Transfer out	\$(13,687)	\$(12,695)	\$ 992
Sale of assets	475	475	---
Total other financing sources (uses):	<u>\$(13,212)</u>	<u>\$(12,220)</u>	<u>\$ 992</u>
Excess (deficiency) of revenues over expenditures and other uses	\$(41,065)	\$(41,286)	\$ (221)
Fund balances, beginning	<u>77,421</u>	<u>77,421</u>	<u>---</u>
Fund balances, ending	<u>\$ 36,356</u>	<u>\$ 36,135</u>	<u>\$ (221)</u>

Statement C

Special Revenue Fund Type			Totals (Memorandum) Only		
Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
\$ 10,105	\$ 12,663	\$ 2,558	\$ 25,985	\$ 28,934	\$ 2,949
---	---	---	12,500	13,204	704
---	---	---	12,309	12,309	---
---	---	---	23,116	22,858	(258)
188	198	10	24,316	24,297	(19)
---	---	---	985	800	(185)
<u>\$ 10,293</u>	<u>\$ 12,861</u>	<u>\$ 2,568</u>	<u>\$ 99,211</u>	<u>\$102,402</u>	<u>\$ 3,191</u>
\$ 1,086	\$ 2,394	\$ (1,308)	\$ 43,522	\$ 46,018	\$ (2,496)
---	---	---	54,396	55,044	(648)
24,779	23,479	1,300	44,718	43,418	1,300
<u>\$ 25,865</u>	<u>\$ 25,873</u>	<u>\$ (8)</u>	<u>\$142,636</u>	<u>\$144,480</u>	<u>\$ (1,844)</u>
\$ (15,572)	\$ (13,012)	\$ 2,560	\$(43,425)	\$(42,078)	\$ 1,347
\$ ---	\$ ---	\$ ---	\$(13,687)	\$(12,695)	\$ 992
---	---	---	475	475	---
<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$(13,212)</u>	<u>\$(12,220)</u>	<u>\$ 992</u>
\$ (15,572)	\$ (13,012)	\$ 2,560	\$(56,637)	\$(54,298)	\$ 2,339
25,868	25,868	---	103,289	103,289	---
<u>\$ 10,296</u>	<u>\$ 12,856</u>	<u>\$ 2,560</u>	<u>\$ 46,652</u>	<u>\$ 48,991</u>	<u>\$ 2,339</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, 1999

	<u>Enterprise</u>
Operating revenues:	
Charges for services	\$ <u>378,988</u>
Operating expenses:	
Personal services	\$ 126,907
Supplies	27,912
Cost of natural gas	105,815
Other services and charges	47,042
Heat, light, and power	15,302
Depreciation	<u>127,988</u>
Total operating expenses	\$ <u>450,966</u>
Operating income (loss)	\$ <u>(71,978)</u>
Non-operating revenues (expenses):	
Interest income	\$ 17,776
Interest expense	(128)
Rental expense and other	(17,004)
Sale of assets	<u>1,400</u>
Total non-operating revenues (expenses)	\$ <u>2,044</u>
Net income (loss) before operating transfers	\$ (69,934)
Operating transfers in	<u>12,695</u>
Net income (loss)	\$ (57,239)
Retained earnings, (deficit), beginning	<u>(371,919)</u>
Retained earnings, (deficit), ending	\$ <u>(429,158)</u>

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, 1999

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	\$ 380,288
Cash payments to suppliers for goods and services	(202,466)
Cash payments for employee services and employee related fringe benefits	<u>(126,907)</u>
Net cash provided by operating activities	<u>\$ 50,915</u>
Cash flows from noncapital financing activities:	
Rental expense and other	\$ (17,132)
Operating transfers in (out)	<u>12,695</u>
Net cash used for noncapital financing activities	<u>\$ (4,437)</u>
Cash flows from capital and related financing activities:	
Grants received	\$ 2,300
Acquisition and construction of capital assets	<u>(6,407)</u>
Net cash used for capital and related financing activities	<u>\$ (4,107)</u>
Cash flows from investing activities:	
Interest on cash management activities	<u>\$ 17,776</u>
Net increase in cash and cash equivalents	\$ 60,147
Cash and cash equivalents, beginning of year	<u>421,656</u>
Cash and cash equivalents, end of year	<u>\$ 481,803</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, 1999RECONCILIATION OF OPERATING
LOSS TO NET CASH PROVIDED BY
OPERATING ACTIVITIESEnterprise

Operating income (loss)

\$ (71,978)Adjustments to reconcile operating
loss to net cash provided
by operating activities:

Depreciation

\$ 127,988

Changes in assets & liabilities

Decrease in accounts receivable

639

Increase in prepaid expenses

(397)

Decrease in accounts payable

(125)

Increase in customer deposits

662

Increase in sales taxes payable

488

Decrease in payroll taxes payable

(6,362)

Total adjustments

\$ 122,893Net cash provided by operating
activities\$ 50,915

(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, 1999

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 its 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. BASIS OF PRESENTATION

The accompanying financial statements of the Town of Hornbeck have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. 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 the nature and significance of their

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

C. FUND ACCOUNTING

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

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

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 funds in that their focus is

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 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 funds are 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 funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use 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.

Ad valorem taxes are assessed for the calendar year on November 15 of each year and become delinquent on January 1. The taxes are generally collected in December of the current year and January and February of the ensuing year.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

E. 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.

TOWN OF HORNBECK

NOTES TO 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.
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.

F. ENCUMBRANCES

The Town of Hornbeck does not use encumbrance accounting.

G. CASH AND CASH EQUIVALENTS
AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. 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.

H. 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.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. INVENTORIES

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

J. PREPAID ITEMS

Prepaid amounts consist of insurance policy premiums paid in advance.

K. 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.

L. 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

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

M. 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.

N. LONG-TERM OBLIGATIONS

The Town of Hornbeck has no long-term obligations as of June 30, 1999.

O. 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.

P. 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.

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

Q. SALES TAXES

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

R. 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.

S. 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, 1999:

<u>Fund</u>	<u>Deficit Amount</u>
Water Utility Fund	\$ 301,492
Sewer Utility Fund	<u>390,852</u>
Total	<u>\$ 692,344</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

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

utility fund had overall fund equities of \$361,541 and \$474,708 respectively at June 30, 1999. The Board of Commissioners will raise user fees to reduce the retained deficit, when needed.

3. LEVIED TAXES

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Town taxes:			
General street maintenance	6.48	6.48	Annual Renewal

4. CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 1999:

	<u>Primary Government</u>
Louisiana Asset Management Pool	\$ 305,061
Interest-bearing demand deposits	235,218
Petty cash	<u>225</u>
Total	<u>\$ 540,504</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, 1999, the primary government has \$241,373 in deposits (collected bank balances) and \$305,061 invested in the Louisiana Asset Management Pool (LAMP). These deposits are secured from risk by \$100,000 of federal deposit insurance, \$141,373 of pledged securities held by the

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

custodial bank in the name of the fiscal agent bank and \$305,061 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, 1999.

6. RECEIVABLES

The following is a summary of receivables for June 30, 1999:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>
Taxes:			
Franchise taxes	\$ 1,380	\$ ---	\$ ---
Sales taxes	---	2,007	---
Utility billing:			
Accounts	---	---	21,467
Total	<u>\$ 1,380</u>	<u>\$ 2,007</u>	<u>\$ 21,467</u>

7. FIXED ASSETS

The changes in general fixed assets follow:

	<u>Balance June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1999</u>
Land	\$ 16,160	\$ ---	\$ ---	\$ 16,160
Buildings & improvements	51,203	11,048	---	62,251
Street improvements	222,228	19,939	---	242,167
Equipment	<u>40,743</u>	<u>24,850</u>	<u>---</u>	<u>65,593</u>
Total	<u>\$ 330,334</u>	<u>\$ 55,837</u>	<u>\$ ---</u>	<u>\$ 386,171</u>

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

A summary of proprietary property, plant and equipment follows:

	Enterprise Funds
Gas Utility	
Distribution system and plant	\$ 2,247,446
Other equipment	190,240
Autos and trucks	36,138
Building	30,636
Water Utility:	
Building	52,413
Distribution system and plant	727,359
Other equipment	771
Sewer Utility:	
Land	17,123
Distribution system and plant	849,931
Other equipment	<u>11,828</u>
Total	<u>\$ 4,163,885</u>
Less accumulated depreciation	<u>1,830,068</u>
Net	<u>\$ 2,333,817</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

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 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, 1999, 1998 and 1997 were \$567, \$810, and \$810, 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

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 5.75 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, 1999, 1998, 1997, were \$7,074, \$6,180, \$6,754, respectively, equal to the required contributions for each year.

9. ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 1999:

<u>Class of Payable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>
Accounts	\$ 23,987	146	6,725
Customer deposits	---	---	42,477
Total	\$ 23,987	\$ 146	\$ 49,202

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. LEASES

The Town of Hornbeck had no leases as of June 30, 1999.

11. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 1999, are as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 3,300	\$ ---
Proprietary Funds:		
Water utility fund	---	1,000
Gas utility fund	---	2,300
Total	<u>\$ 3,300</u>	<u>\$ 3,300</u>

12. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 1999, 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, 1999:

Replacement and extension account	\$ 197,743
Customers' deposits	<u>44,466</u>
Total	<u>\$ 242,209</u>

14. RESERVED RETAINED EARNINGS

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

Restricted assets:

Replacement and extension account	\$ 197,743
Customers' deposits	<u>43,999</u>
Total	<u>\$ 241,742</u>

TOWN OF HORNBECK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. RESERVED RETAINED EARNINGS (Continued)

Less:

Liabilities payable from
restricted assets:
Customers' deposits

\$ (41,953)

Reserved retained earnings

\$ 199,789

15. CHANGES IN CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital:

	<u>Gas Utility Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Balance at June 30, 1998	\$ 1,688,983	\$ 662,662	\$ 865,560	\$3,217,205
Additions: Louisiana Department of Transportation and Development	<u>2,300</u>	<u>---</u>	<u>---</u>	<u>2,300</u>
Balance at June 30, 1999	<u>\$ 1,691,283</u>	<u>\$ 662,662</u>	<u>\$ 865,560</u>	<u>\$3,219,505</u>

16. YEAR 2000 ISSUE - (Y2K)

The Town of Hornbeck has its general ledger and water billing computerized. The Town's water billing and general ledger program has been updated and tested to handle the Y2K issue by the manufacturer of the software. The computer hardware that the Town is currently using is also Y2K compliant.

The Town of Hornbeck has been paying maintenance on their water billing and general ledger program. The manufacturer has agreed that the maintenance agreement will cover the cost of the Y2K update.

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, 1999

ASSETS	<u>1999</u>
Cash and cash equivalents	\$ 47,706
Franchise tax receivable	1,380
Due from water utility fund	1,000
Due from gas utility fund	2,300
Due from other governmental units - Tobacco taxes	577
Prepaid insurance	<u>7,159</u>
Total assets	<u>\$ 60,122</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 23,987</u>
Fund balance:	
Unreserved - undesignated	<u>\$ 36,135</u>
Total liabilities and fund balance	<u>\$ 60,122</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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 15,880	\$ 16,271	\$ 391
Licenses and permits	12,500	13,204	704
Intergovernmental	12,309	12,309	---
Fines and forfeits	23,116	22,858	(258)
Use of money and property	24,128	24,099	(29)
Miscellaneous	985	800	(185)
Total revenues	<u>\$ 88,918</u>	<u>\$ 89,541</u>	<u>\$ 623</u>
Expenditures:			
General government	\$ 42,436	\$ 43,624	\$ (1,188)
Public safety	54,396	55,044	(648)
Public works	19,939	19,939	---
Total expenditures	<u>\$ 116,771</u>	<u>\$ 118,607</u>	<u>\$ (1,836)</u>
Excess (deficiency) of revenues over expenditures	\$ (27,853)	\$ (29,066)	\$ (1,213)
Other financing sources (uses):			
Transfers out	\$ (13,687)	\$ (12,695)	\$ 992
Sale of assets	475	475	---
Total other financing sources (uses):	<u>\$ (13,212)</u>	<u>\$ (12,220)</u>	<u>\$ 992</u>
Excess (deficiency) of revenues over expenditures and other uses	\$ (41,065)	\$ (41,286)	\$ (221)
Fund balance, beginning	<u>77,421</u>	<u>77,421</u>	<u>---</u>
Fund balance, ending	<u>\$ 36,356</u>	<u>\$ 36,135</u>	<u>\$ (221)</u>

TOWN OF HORNBECK
GENERAL FUND

Schedule 3

SCHEDULE OF REVENUES COMPARED TO BUDGET (GAAP BASIS)
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Taxes:			
Franchise	\$ 10,935	\$ 11,014	\$ 79
Ad valorem taxes	<u>4,945</u>	<u>5,257</u>	<u>312</u>
Total taxes	<u>\$ 15,880</u>	<u>\$ 16,271</u>	<u>\$ 391</u>
Licenses and permits:			
Occupational	<u>\$ 12,500</u>	<u>\$ 13,204</u>	<u>\$ 704</u>
Intergovernmental:			
Tobacco taxes	\$ 2,309	\$ 2,309	\$ ---
State grant in aid	<u>10,000</u>	<u>10,000</u>	<u>---</u>
Total inter- governmental	<u>\$ 12,309</u>	<u>\$ 12,309</u>	<u>\$ ---</u>
Fines and forfeits:			
Traffic fines	<u>\$ 23,116</u>	<u>\$ 22,858</u>	<u>\$ (258)</u>
Use of money and property:			
Interest earned	\$ 1,124	\$ 1,095	\$ (29)
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>\$ 24,128</u>	<u>\$ 24,099</u>	<u>\$ (29)</u>
Miscellaneous:			
Other revenues	<u>\$ 985</u>	<u>\$ 800</u>	<u>\$ (185)</u>
Total revenues	<u>\$ 88,918</u>	<u>\$ 89,541</u>	<u>\$ 623</u>

TOWN OF HORNBECK
GENERAL FUND

Schedule 4

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
General government:			
Personal services	\$ 11,260	\$ 10,975	\$ 285
Dues	190	190	---
Election expense	---	96	(96)
Utilities	9,407	10,377	(970)
Office expenditures	878	758	120
Legal and auditing	800	810	(10)
Insurance	4,285	4,157	128
Conventions and seminars	713	675	38
Maintenance	213	2,851	(2,638)
Travel	232	262	(30)
Miscellaneous	744	1,424	(680)
Capital outlay	<u>13,714</u>	<u>11,049</u>	<u>2,665</u>
Total general government	<u>\$ 42,436</u>	<u>\$ 43,624</u>	<u>\$ (1,188)</u>
Public safety:			
Police -			
Personal services	\$ 11,055	\$ 10,723	\$ 332
Supplies	1,880	1,873	7
Insurance	7,252	7,252	---
Telephone	1,170	1,166	4
Auto expense	4,481	4,464	17
Collection fees	4,103	4,087	16
Capital outlay	<u>23,860</u>	<u>24,850</u>	<u>(990)</u>
Total police	<u>\$ 53,801</u>	<u>\$ 54,415</u>	<u>\$ (614)</u>
Fire:			
Utilities	<u>\$ 595</u>	<u>\$ 629</u>	<u>\$ (34)</u>
Total public safety	<u>\$ 54,396</u>	<u>\$ 55,044</u>	<u>\$ (648)</u>
Public Works:			
Highway's and streets - Sidewalk construction	<u>\$ 19,939</u>	<u>\$ 19,939</u>	<u>\$ ---</u>
Total expenditures	<u>\$ 116,771</u>	<u>\$ 118,607</u>	<u>\$ (1,836)</u>

(Continued)

TOWN OF HORNBECK
GENERAL FUND

Schedule 4

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Excess (deficiency) of revenues over expenditures	\$ (27,853)	\$(29,066)	\$ (1,213)
Other financing sources (uses):			
Transfers out	\$ (13,687)	\$(12,695)	\$ 992
Sale of assets	<u>475</u>	<u>475</u>	<u>---</u>
Total other financing sources (uses):	<u>\$ (13,212)</u>	<u>\$(12,220)</u>	<u>\$ 992</u>
Excess (deficiency) of revenues over expenditures and other uses	\$ (41,065)	\$(41,286)	\$ (221)
Fund balance, beginning	<u>77,421</u>	<u>77,421</u>	<u>---</u>
Fund balance, ending	<u>\$ 36,356</u>	<u>\$ 36,135</u>	<u>\$ (221)</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, 1999

ASSETS

Cash and cash equivalents	\$ 10,995
Sales tax receivable	<u>2,007</u>
Total assets	<u>\$ 13,002</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 146</u>
Fund balance:	
Unreserved - undesignated	<u>\$ 12,856</u>
Total liabilities and fund balance	<u>\$ 13,002</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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes - sales and use	\$ 10,105	\$ 12,663	\$ 2,558
Use of money and property - interest on deposits	188	198	10
Total revenues	<u>\$ 10,293</u>	<u>\$ 12,861</u>	<u>\$ 2,568</u>
Expenditures:			
General government - Other services and charges	\$ 1,086	\$ 2,394	\$ (1,308)
Public works - Highways and streets - Street maintenance	24,779	23,479	1,300
Total expenditures	<u>\$ 25,865</u>	<u>\$ 25,873</u>	<u>\$ (8)</u>
Excess (deficiency) of revenues over expenditures	\$ (15,572)	\$ (13,012)	\$ 2,560
Fund balance, beginning	25,868	25,868	---
Fund balance, ending	<u>\$ 10,296</u>	<u>\$ 12,856</u>	<u>\$ 2,560</u>

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, 1999

LIABILITIES AND FUND EQUITY	<u>Gas Utility</u>	<u>Water Utility</u>
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	\$ 5,280	\$ 702
Due to other funds	<u>2,300</u>	<u>1,000</u>
Total current liabilities (payable from current assets)	<u>\$ 7,580</u>	<u>\$ 1,702</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	<u>\$ 35,203</u>	<u>\$ 6,705</u>
Total liabilities	<u>\$ 42,783</u>	<u>\$ 8,452</u>
Fund equity:		
Contributed capital -		
Municipality	\$ ---	\$ 31,000
Federal and state funds	<u>1,691,283</u>	<u>631,662</u>
Total contributed capital	<u>\$1,691,283</u>	<u>\$ 662,662</u>
Retained earnings (deficit) -		
Reserved for replacement and extension	\$ 199,458	\$ 331
Unreserved	<u>63,357</u>	<u>(301,452)</u>
Total retained earnings (deficit)	<u>\$ 262,815</u>	<u>\$ (301,121)</u>
Total fund equity	<u>\$1,954,098</u>	<u>\$ 361,541</u>
Total liabilities and fund equity	<u>\$1,996,881</u>	<u>\$ 369,993</u>

<u>Sewer Utility</u>	<u>Totals</u>
\$ 743 <u>---</u>	\$ 6,725 <u>3,300</u>
\$ 743	\$ 10,025
\$ 524	\$ 42,477
\$ 1,267	\$ 52,502
\$ --- <u>865,560</u>	\$ 31,000 <u>3,188,505</u>
\$ 865,560	\$3,219,505
\$ --- <u>(390,852)</u>	\$ 199,789 <u>(628,947)</u>
\$ (390,852)	\$ (429,158)
\$ 474,708	\$2,790,347
\$ 475,975	<u>\$2,842,849</u> (Concluded)

TOWN OF HORNBECK
ENTERPRISE FUNDS

COMBINING SCHEDULE OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS (Deficit)
Year Ended June 30, 1999

	<u>Gas Utility</u>	<u>Water Utility</u>
Operating revenues:		
Charges for services	\$ 315,466	\$ 41,594
Operating expenses:		
Personal services	\$ 126,907	\$ ---
Supplies	17,773	5,539
Cost of natural gas	105,815	---
Other services and charges	39,654	4,510
Heat, light, and power	5,909	3,520
Depreciation	<u>75,095</u>	<u>9,214</u>
Total operating expenses	\$ 371,153	\$ 22,783
Operating income (loss)	\$ (55,687)	\$ 18,811
Non-operating revenues (expenses):		
Interest income	\$ 16,721	\$ 985
Interest expense	(128)	---
Rental expense and other	(12,000)	(3,000)
Sale of assets	<u>1,400</u>	<u>---</u>
Total non-operating revenues (expenses)	\$ 5,993	\$ (2,015)
Income (loss) before operating transfers	\$ (49,694)	\$ 16,796
Operating transfers in (out)	<u>25,173</u>	<u>(6,239)</u>
Net income (loss)	\$ (24,521)	\$ 10,557
Retained earnings (deficit), beginning	<u>287,336</u>	<u>(311,678)</u>
Retained earnings (deficit), ending	\$ 262,815	\$(301,121)

<u>Sewer Utility</u>	<u>Totals</u>
<u>\$ 21,928</u>	<u>\$ 378,988</u>
\$ ---	\$ 126,907
4,600	27,912
---	105,815
2,878	47,042
5,873	15,302
<u>43,679</u>	<u>127,988</u>
<u>\$ 57,030</u>	<u>\$ 450,966</u>
<u>\$ (35,102)</u>	<u>\$ (71,978)</u>
\$ 70	\$ 17,776
---	(128)
(2,004)	(17,004)
<u>---</u>	<u>1,400</u>
<u>\$ (1,934)</u>	<u>\$ 2,044</u>
\$ (37,036)	\$ (69,934)
<u>(6,239)</u>	<u>12,695</u>
\$ (43,275)	\$ (57,239)
<u>(347,577)</u>	<u>(371,919)</u>
<u>\$ (390,852)</u>	<u>\$ (429,158)</u>

TOWN OF HORNBECK
ENTERPRISE FUNDS

COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 1999

	<u>Gas Utility</u>	<u>Water Utility</u>
Cash flows from operating activities:		
Cash received from customers	\$ 315,823	\$ 42,395
Cash payments to suppliers for goods and services	(176,485)	(13,183)
Cash payments for employee services and employee related fringe benefits	<u>(126,907)</u>	<u>---</u>
Net cash provided (used) by operating activities	<u>\$ 12,431</u>	<u>\$ 29,212</u>
Cash flows from noncapital financing activities:		
Rental expense and other	\$ (12,128)	\$ (3,000)
Operating transfers in (out)	<u>25,173</u>	<u>(6,239)</u>
Net cash provided (used) for noncapital financing activities	<u>\$ 13,045</u>	<u>\$ (9,239)</u>
Cash flows from capital and related financing activities:		
Grants received	\$ 2,300	\$ ---
Acquisition and construction of capital assets	<u>(4,399)</u>	<u>(2,008)</u>
Net cash used for capital and related financing activities	<u>\$ (2,099)</u>	<u>\$ (2,008)</u>
Cash flows from investing activities:		
Interest on cash management activities	<u>\$ 16,721</u>	<u>\$ 985</u>
Net increase (decrease) in cash and cash equivalents	\$ 40,098	\$ 18,950
Cash and cash equivalents, beginning of year	<u>385,830</u>	<u>33,566</u>
Cash and cash equivalents, end of year	<u>\$ 425,928</u>	<u>\$ 52,516</u>

Schedule 9

<u>Sewer Utility</u>	<u>Totals</u>
\$ 22,070	\$ 380,288
(12,798)	(202,466)
<u>---</u>	<u>(126,907)</u>
<u>\$ 9,272</u>	<u>\$ 50,915</u>
\$ (2,004)	\$ (17,132)
<u>(6,239)</u>	<u>12,695</u>
<u>(8,243)</u>	<u>(4,437)</u>
\$ ---	\$ 2,300
<u>---</u>	<u>(6,407)</u>
<u>\$ ---</u>	<u>\$ (4,107)</u>
<u>\$ 70</u>	<u>\$ 17,776</u>
\$ 1,099	\$ 60,147
<u>2,260</u>	<u>421,656</u>
<u>\$ 3,359</u>	<u>\$ 481,803</u>

(Continued)

TOWN OF HORNBECK
ENTERPRISE FUNDS

COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 1999

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>Gas Utility</u>	<u>Water Utility</u>
Operating income (loss)	\$ (55,687)	\$ 18,811
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	\$ 75,095	\$ 9,214
Changes in assets & liabilities		
(Increase) decrease in accounts receivable	\$ (364)	\$ 891
(Increase) decrease in prepaid expenses	(152)	(202)
Increase (decrease) in accounts payable	(1,309)	588
Increase (decrease) in sales taxes payable	488	---
Increase (decrease) in payroll taxes payable	(6,362)	---
Increase (decrease) in customer deposits	722	(90)
Total adjustments	<u>\$ 68,118</u>	<u>\$ 10,401</u>
Net cash provided (used) by operating activities	<u>\$ 12,431</u>	<u>\$ 29,212</u>

<u>Sewer Utility</u>	<u>Totals</u>
<u>\$ (35,102)</u>	<u>\$ (71,978)</u>
\$ 43,679	\$ 127,988
\$ 112	\$ 639
(43)	(397)
596	(125)
---	488
---	(6,362)
<u>30</u>	<u>662</u>
<u>\$ 44,374</u>	<u>\$ 122,893</u>
<u>\$ 9,272</u>	<u>\$ 50,915</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, 1999

General fixed assets, at cost:	
Land	\$ 16,160
Buildings	62,252
Street improvements	242,167
Equipment	<u>65,592</u>
Total general fixed assets	<u>\$ 386,171</u>
Investment in general fixed assets:	
General fund revenues	\$ 132,123
Sales tax fund revenues	82,905
Federal grants	98,700
State grants	55,718
State revenue sharing funds	725
Gift	<u>16,000</u>
Total investment in general fixed assets	<u>\$ 386,171</u>

TOWN OF HORNBECK

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
 Year Ended June 30, 1999

	<u>Land</u>	<u>Buildings Improvements</u>
General fixed assets, beginning	\$ 16,160	\$ 51,203
Additions	---	11,049
Deletion	<u>---</u>	<u>---</u>
General fixed assets, ending	<u>\$ 16,160</u>	<u>\$ 62,252</u>

<u>Street</u> <u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
\$ 222,229	\$ 40,742	\$ 330,334
19,938	24,850	55,837
<u>---</u>	<u>---</u>	<u>---</u>
<u>\$ 242,167</u>	<u>\$ 65,592</u>	<u>\$ 386,171</u>

TOWN OF HORNBECK

Schedule 12

SCHEDULE OF COMPENSATION PAID ALDERMEN
Year Ended June 30, 1999

ALDERMEN	<u>Compensation Paid</u>
Doyle Carpenter	\$ 1,200
Jose Chavez	1,200
Arthur S. Cole, Mayor	4,200
Michael Behan	1,200
Stieve Holley	600
Clarence Beebe	600
Lawrence Trotti	<u>1,200</u>
	<u>\$ 10,200</u>

TOWN OF HORNBECK

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 1999

Prior Audit Findings

The follow-up and corrective action taken on all prior audit findings is presented in the summary schedule of prior audit findings (Schedule 13).

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 1999

Audit Finding No. 1

Initial occurrence - June 30, 1998

Invoice Approval

Finding:

Invoices examined during expenditure testwork did not indicate that management had approved the invoices for payment.

Corrective action taken - yes

Audit Finding No. 2

Initial occurrence - June 30, 1998

Compliance with "Louisiana Local Government Budget Act"

Finding:

The proposed 97/98 budget was not introduced to the Board until June 27, 1997. This is a violation of the budget act which states that the budget be submitted to the governing authority no later than fifteen days prior to the beginning of the fiscal year.

Corrective action taken - yes

Audit Finding No. 3

Initial occurrence - June 30, 1997

Use of Reserved Funds

Finding:

In the prior year audit it was noted that the Town had transferred thirty thousand dollars out of a reserved restricted asset account for use in operations. After the prior year audit comments and correspondence with the Legislative Auditor, the board at its April 1998 meeting made a motion to replace ten thousand that had been removed. As of this audit report date, ten thousand of the thirty thousand had been returned to the reserved restricted asset account.

Corrective action taken - yes

John A. Windham, CPA

A Professional Corporation

1620 North Pine St.
DeRidder, LA 70634
Tel. (318) 462-3211
Fax. (318) 462-0640

John A. Windham, CPA

REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF 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, 1999, and have issued my report thereon dated November 29, 1999. I conducted my audit in accordance with generally accepted auditing standards and GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Hornbeck, Louisiana's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under GOVERNMENT AUDITING STANDARDS. However, I noted certain immaterial instances of noncompliance that I have reported to management of the Town of Hornbeck, Louisiana, in a separate letter dated November 29, 1999.

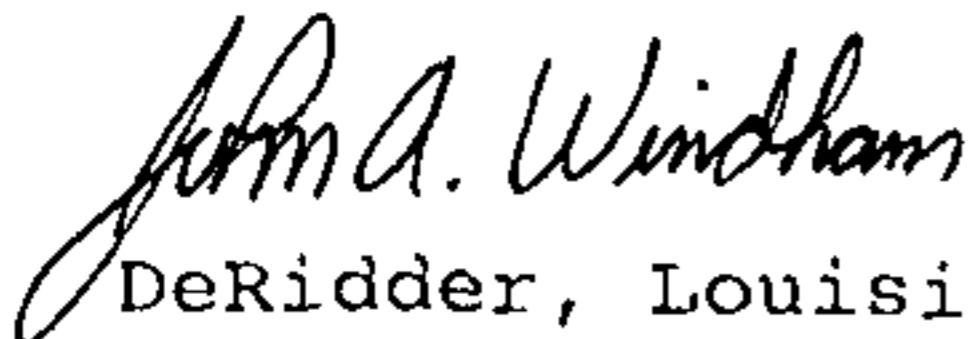
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Hornbeck, Louisiana's internal control over financial reporting 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 over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A

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

material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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


DeRidder, Louisiana
November 29, 1999

John A. Windham, CPA

A Professional Corporation

1620 North Pine St.
DeRidder, LA 70634
Tel. (318) 462-3211
Fax. (318) 462-0640

John A. Windham, CPA

November 29, 1999

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

In planning and performing my audit of the general purpose financial statements of the Town of Hornbeck, Louisiana, for the year ended June 30, 1999, 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.

Other Comments and Recommendations

Restricted Assets -Customer Deposits

Finding:

The restricted asset customer deposit cash account had less cash than the liability for customer deposits in the sewer fund. At all times the customer deposit cash account should have at least as much cash in the account as the liability for customer deposits.

Recommendation:

I recommend that customer's deposits be closely monitored and used only for refunds of customers deposits upon leaving the system. The balance in the customer deposit each account should always equal or be greater than the corresponding customer deposit liability.

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

Management's response:

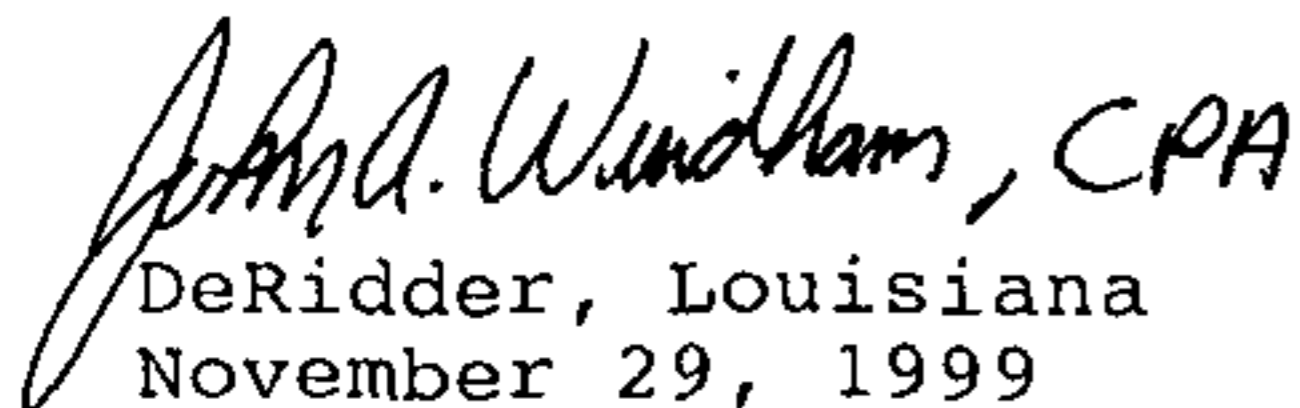
The customer deposit cash account fell below the liability for customer deposits due to the local bank service charging the account monthly. Management has moved the bank account to another bank that does not charge service fees on the account. Management will also more closely monitor the account to see that the proper balance is maintained.

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 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, 1999 general purpose financial statements, and this report does not affect my report on those general purpose financial statements dated November 29, 1999. 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.


DeRidder, Louisiana
November 29, 1999

MAYOR'S OFFICE
TOWN OF HORNBECK
P.O. BOX 129
HORNBECK, LOUISIANA 71439

12/10/99
10:01

December 10, 1999

Dr. Daniel G. Kyle, CPA
Office of Legislative Auditor
State of Louisiana

ref: June 30, 1999 Audit Finding

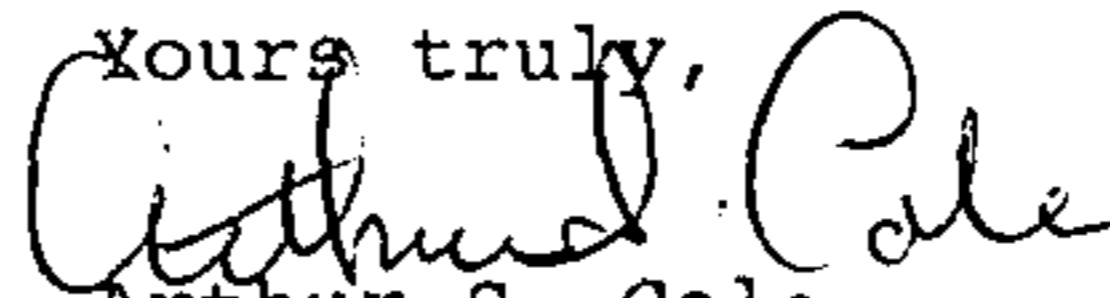
Dear Dr. Kyle:

In response to the management letter I received at the conclusion of the Town's annual audit , I offer the following:

Finding #1 - Restricted assets - customer deposits

The local bank that the Town had been using began to charge our sewer customer deposit account a monthly service fee. Since this account is the smallest customer deposit account that we have, it wasn't long before the balance dropped below the liability for customer deposits in the sewer fund. We asked the bank not to charge the fee and they declined, therefore we have moved the account to another bank that will not charge a fee and the balance will be increased to cover the liabilities for customer deposits. I will monitor this and our other customer deposit accounts to see that sufficient balances are kept on deposit to cover all liabilities for customer deposits.

With kindest regards, I am,

Yours truly,

Arthur S. Cole
Mayor