

2265

TOWN OF HORNBECK  
ANNUAL FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT

JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 1-26-05

## Table of Contents

	Statement	Page(s)
INDEPENDENT AUDITOR'S REPORT	-	1-2
BASIC FINANCIAL STATEMENTS:		
Statement of Net Assets	A	4
Statement of Activities	B	5
Balance Sheet – Governmental Funds	C	6
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	D	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E	8
Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	F	9
General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	G	10-11
Statement of Net Assets – Proprietary Fund	H	12
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	I	13
Statement of Cash Flows – Proprietary Fund	J	14-15
Notes to the Financial Statements	-	16-25
	Schedule	Page(s)
Other Supplemental Schedules		
Schedule of Compensation Paid to Board Members	1	27
Other Reports		
Schedule of Prior Year Audit Findings	2	29
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	30-31

# John A. Windham, CPA

*A Professional Corporation*

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

John A. Windham, CPA

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, of the Town of Hornbeck, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hornbeck, Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Hornbeck, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 2, 2004 on my consideration of the Town of Hornbeck, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Town of Hornbeck, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Hornbeck, Louisiana's basic financial statements. The schedules of per diem paid to board members and prior year audit findings are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of per diem paid to board members and prior year audit findings have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules of per diem paid to board members and prior year audit findings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Handwritten signature of John A. Windham, CPA in cursive script.

DeRidder, Louisiana  
December 2, 2004

## BASIC FINANCIAL STATEMENTS

Statement of Net Assets  
June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 71,189	\$ 184,145	\$ 255,334
Receivables:			
Sales taxes	1,867	-	1,867
Franchise taxes	1,987	-	1,987
Accounts	-	27,185	27,185
Prepaid insurance	5,542	11,847	17,389
Restricted assets	-	483,505	483,505
Capital assets, net	243,299	2,061,483	2,304,782
Total assets	<u>\$ 323,884</u>	<u>\$ 2,768,165</u>	<u>\$ 3,092,049</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 927	\$ 7,420	\$ 8,347
Customer deposits	-	43,116	43,116
Total liabilities	<u>\$ 927</u>	<u>\$ 50,536</u>	<u>\$ 51,463</u>
<b>NET ASSETS</b>			
Invested in capital asset	\$ 243,299	\$ 2,061,483	\$ 2,304,782
Restricted for:			
Replacement and extension	-	397,085	397,085
Customer deposits	-	530	530
Unrestricted	79,658	258,531	338,189
Total net assets	<u>\$ 322,957</u>	<u>\$ 2,717,629</u>	<u>\$ 3,040,586</u>
Total liabilities and net assets	<u>\$ 323,884</u>	<u>\$ 2,768,165</u>	<u>\$ 3,092,049</u>

The accompanying notes are an integral part of this statement.

Statement of Activities  
For the Year Ended June 30, 2004

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:					
General government and administration	\$ 53,878	\$ 14,924	\$ 750	\$ (38,204)	\$ -
Public safety	23,394	13,857	-	(9,537)	(9,537)
Public works	10,225	-	5,000	(5,225)	-
Culture and recreation	171	-	-	(171)	-
Total governmental activities	\$ 87,668	\$ 28,781	\$ 5,000	\$ (53,137)	\$ -
Business-type activities:					
Gas, water and sewer	599,643	449,636	-	-	(150,007)
Total government	\$ 687,311	\$ 478,417	\$ 5,000	\$ (53,137)	\$ (150,007)
General revenues:					
Taxes:					
Ad valorem taxes				5,300	-
Sales taxes				16,258	-
Occupational licenses and permits				15,525	-
Franchise fees				11,100	-
Investment earnings				1,471	10,642
Miscellaneous				1,447	1,382
Transfers				9,600	(9,600)
Total general revenues and transfers				60,701	2,424
Change in net assets				7,564	(147,583)
Net assets at beginning of year				315,393	2,865,212
Net assets at end of year				\$ 322,957	\$ 2,717,629
					\$ 3,040,586

The accompanying notes are an integral part of the statement.

Balance Sheet  
Governmental Funds  
June 30, 2004

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 22,867	\$ 48,322	\$ 71,189
Receivables			
Sales taxes	-	1,867	1,867
Franchise taxes	1,987	-	1,987
Prepaid insurance	5,542	-	5,542
Total assets	<u>\$ 30,396</u>	<u>\$ 50,189</u>	<u>\$ 80,585</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	<u>\$ 870</u>	<u>\$ 57</u>	<u>\$ 927</u>
<b>Fund Balances:</b>			
Unreserved, reported in:			
General Fund	\$ 29,526	\$ -	\$ 29,526
Special revenue funds	-	50,132	50,132
Total fund balances	<u>\$ 29,526</u>	<u>\$ 50,132</u>	<u>\$ 79,658</u>
<b>Total liabilities and fund balances</b>	<u>\$ 30,396</u>	<u>\$ 50,189</u>	<u>\$ 80,585</u>

The accompanying notes are an integral part of this statement.



Reconciliation of the Governmental Funds Balance Sheet  
to Statement of Net Assets  
June 30, 2004

Total fund balance - total governmental funds	\$	79,658
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.		<u>243,299</u>
Net assets of governmental activities	\$	<u><u>322,957</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes:			
Ad valorem	\$ 5,300	\$ -	\$ 5,300
Sales	-	16,258	16,258
Franchise	11,100	-	11,100
Charges for services	3,920	-	3,920
Intergovernmental:			
State grants	5,000	-	5,000
Local grants	750	-	750
Occupational licenses and permits	15,525	-	15,525
Investment income	920	551	1,471
Fines and forfeitures	13,857	-	13,857
Rentals	11,004	-	11,004
Other revenues	1,447	-	1,447
Total revenues	<u>\$ 68,823</u>	<u>\$ 16,809</u>	<u>\$ 85,632</u>
<b>Expenditures</b>			
General government	\$ 38,943	\$ 1,067	\$ 40,010
Public safety	22,094	-	22,094
Public works	-	10,225	10,225
Culture and recreation	171	-	171
Capital outlay	29,943	594	30,537
Total expenditures	<u>\$ 91,151</u>	<u>\$ 11,886</u>	<u>\$ 103,037</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (22,328)</u>	<u>\$ 4,923</u>	<u>\$ (17,405)</u>
Other financing sources (uses)			
Transfer in	<u>\$ 9,600</u>	<u>\$ -</u>	<u>\$ 9,600</u>
Net change in fund balance	<u>\$ (12,728)</u>	<u>\$ 4,923</u>	<u>\$ (7,805)</u>
Fund balances at beginning of year	<u>42,254</u>	<u>45,209</u>	<u>87,463</u>
Fund balances at end of year	<u>\$ 29,526</u>	<u>\$ 50,132</u>	<u>\$ 79,658</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$ (7,805)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	30,537
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(15,168)</u>
Change in net assets of governmental activities	<u>\$ 7,564</u>

The accompanying notes are an integral part of this statement.

General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Ad valorem	\$ 5,433	\$ 5,300	\$ 5,300	\$ -	\$ 5,300
Franchise fees	12,015	10,996	11,100	104	11,100
Charges for services	-	3,920	3,920	-	3,920
Intergovernmental:					
State grants	-	5,000	5,000	-	5,000
Local grants	-	750	750	-	750
Occupational licenses and permits	17,039	15,220	15,525	305	15,525
Investment income	6,356	882	920	38	920
Fines and forfeitures	5,643	13,464	13,857	393	13,857
Rentals	11,004	11,004	11,004	-	11,004
Other revenue	4,638	8,231	1,447	(6,784)	1,447
Total revenues	\$ 62,128	\$ 74,767	\$ 68,823	\$ (5,944)	\$ 68,823
Expenditures					
General government and administration	\$ 53,359	\$ 45,448	\$ 38,943	\$ 6,505	\$ 38,943
Public safety	22,282	21,634	22,094	(460)	22,094
Culture and recreation	-	171	171	-	171
Capital outlay	-	29,943	29,943	-	29,943
Total expenditures	\$ 75,641	\$ 97,196	\$ 91,151	\$ 6,045	\$ 91,151
Excess (deficiency) of revenues over expenditures	\$ (13,513)	\$ (22,429)	\$ (22,328)	\$ 101	\$ (22,328)

(Continued)

The accompanying notes are an integral part of this statement.

Town of Hornbeck, Louisiana

General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amount		Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final	Budgetary Basis			
Other financing sources (uses):						
Transfers in	\$ 9,600	\$ 9,600	\$ 9,600	\$ -	\$ -	\$ 9,600
Net change in fund balance	\$ (3,913)	\$ (12,829)	\$ (12,728)	\$ 101	\$ (12,728)	
Fund balances at beginning of year	42,254	42,254	42,254	-	42,254	
Fund balances at end of year	\$ 38,341	\$ 29,425	\$ 29,526	\$ 101	\$ 29,526	(Concluded)

The accompanying notes are an integral part of this statement.

Statement of Net Assets  
Proprietary Fund  
June 30, 2004

	Business - Type Activities - Enterprise Fund Water and Sewer
Assets	
Current Assets	
Cash	\$ 184,145
Receivables:	
Accounts	27,185
Prepaid insurance	11,847
Total current assets	\$ 223,177
Noncurrent Assets	
Restricted cash and cash investments	\$ 483,505
Capital assets, net	2,061,483
Total noncurrent assets	\$ 2,544,988
Total assets	\$ 2,768,165
Liabilities	
Current Liabilities	
Accounts payable	\$ 7,420
Liabilities payable from restricted assets	
Customer deposits	43,116
Total liabilities	\$ 50,536
Net Assets	
Invested in capital assets	\$ 2,061,483
Restricted for:	
Replacement and extension	397,085
Customers deposits	530
Unrestricted	258,531
Total net assets	\$ 2,717,629
Total liabilities and net assets	\$ 2,768,165

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2004

	Business - Type Activities - <u>Enterprise Fund</u> Water and <u>Sewer</u>
Operating revenues	
Charges for services	\$ 449,636
Operating expenses	
Personal services	\$ 102,098
Cost of gas sold	236,131
Supplies	31,292
Contractual services	79,324
Depreciation	150,798
Total operating expenses	<u>\$ 599,643</u>
Income (loss) from operations	<u>\$ (150,007)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 10,642
Miscellaneous	1,382
Total nonoperating revenues (expenses)	<u>\$ 12,024</u>
Income (loss) before contributions and transfers	\$ (137,983)
Transfers out	<u>\$ (9,600)</u>
Change in net assets	\$ (147,583)
Net assets at beginning of year	<u>2,865,212</u>
Net assets at end of year	<u><u>\$ 2,717,629</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 448,543
Cash payments to suppliers for goods and services	(349,706)
Cash payments to employees for services	(102,098)
Net cash used by operating activities	\$ (3,261)
Cash flows from noncapital financing activities:	
Miscellaneous	\$ 1,382
Transfers to other funds	(9,600)
Net cash (used) by noncapital financing activities	\$ (8,218)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (29,607)
Cash flow from investing activities:	
Interest on cash and investments	\$ 10,642
Net increase (decrease) in cash and cash investments	\$ (30,444)
Cash and Cash investments, July 1	698,094
Cash and Cash investments, June 30	\$ 667,650

(Continued)

The accompanying notes are an integral part of this statement.



Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended June 30, 2004

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of (loss) from operations to net cash provided by operating activities:	
Loss from operations	\$ (150,007)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:	
Depreciation	\$ 150,798
Change in assets and liabilities:	
Decrease in accounts receivable	748
Increase in prepaid insurance	(1,341)
Decrease in accounts payable	(1,618)
Decrease in customer deposits	(1,841)
Net cash provided by operating activities	<u>\$ (3,261)</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

3

Town of Hornbeck, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2004

**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 various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 7 miles of roads and streets, and gas, water, and sewer services to approximately 990 residents.

The Town is located within Vernon Parish in the southwestern part of the State of Louisiana and is comprised of approximately 490 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water and sewer systems and handle the clerical work for the Town. The police department consists of an elected chief of police.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-Wide and Fund Financial Statements**

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

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

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

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

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

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

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

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

The municipality reports the following major governmental fund:

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

The municipality reports the following major proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

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

### **C. Deposits and Investments**

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

**D. Receivables and Payables**

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established. Gas, water and sewer charges have customer deposits that have been collected in advance therefore the majority of all gas, water and sewer billing is collected or taken out of the customer's deposit, any allowance account would be immaterial, therefore one has not been established.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			Renewed
General corporate tax	6.48	6.48	Annually

The following are the principal taxpayers and related property tax revenue for the municipality:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Crossroads Hardware	Hardware	\$ 2,520	5.41%	\$ 16
Direct TV	Utility	2,560	5.50%	16
La Unwired, L.L.C.	Communications	19,540	41.99%	127
SBA Properties LA, L.L.C.		12,290	26.41%	80
Vernier's Convenient Stop	Store	2,730	5.86%	18
		<u>\$ 39,640</u>	<u>85%</u>	<u>\$ 257</u>

*Sales Taxes*

The Town of Hornbeck receives a one-percent sales tax, which is dedicated to repairs and maintenance of streets and roadways, water treatment facilities and the general improvements and maintenance of the Town's public facilities.

**E. Restricted Assets**

Certain resources set aside for the replacement and extension of the gas, water and sewer systems.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Cash collected from utility fund customers as deposits against future utility bills are classified as restricted assets and are held by the town in a custodial cash account entitled "Customer Deposits".

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

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

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

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

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

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

**G. Leave**

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

- A. Full-time employees shall be eligible for vacation, sick leave, family and medical leave, civil leave, military leave, education leave, maternity leave, and leave of absence without pay, as provided in this section.
- B. Vacation
  - (1) A full-time employee shall receive one week of vacation after one year of employment from anniversary date.
  - (2) Employee shall receive two weeks vacation leave from second year to ten years of employment.
  - (3) Employee shall receive three weeks of vacation from ten years and after.
- C. Sick Leave
  - (1) "Sick leave" is leave with pay granted a full-time employee who is suffering with a disability which prevents him from performing his usual duties and responsibilities or who requires medical, dental, or optical consultation or treatment.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

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

**H. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**I. Extraordinary and Special Items**

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

**J. Estimates**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION* The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2004, the municipality has cash and cash equivalents (book balances) totaling \$738,839 as follows:

Time deposits	\$ 482,635
Demand deposits	255,979
Petty cash	<u>225</u>
Total	<u>\$ 738,839</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, 2004, the municipality has \$744,630 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$644,630 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

**4. RECEIVABLES**

The receivables of \$31,039 at June 30, 2004, are as follows:

Class of receivable	General Fund	Other Governmental		Total
		Fund	Proprietary Fund	
Taxes:				
Sales and use	\$ -	\$ 1,867	\$ -	\$ 1,867
Franchise	1,987	-	-	1,987
Accounts	-	-	27,185	27,185
Total	<u>\$ 1,987</u>	<u>\$ 1,867</u>	<u>\$ 27,185</u>	<u>\$ 31,039</u>



Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004, for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 16,160	\$ 24,943	\$ -	\$ 41,103
Capital assets being depreciated				
Buildings	85,452	-	-	85,452
Improvements other than buildings	242,167	5,594	-	247,761
Machinery and equipment	67,857	-	-	67,857
Vehicles	13,000	-	-	13,000
Total capital assets being depreciated	408,476	5,594	-	414,070
Less accumulated depreciation for:				
Buildings	41,658	2,136	-	43,794
Improvements other than buildings	118,662	4,946	-	123,608
Equipment	30,536	6,786	-	37,322
Vehicles	5,850	1,300	-	7,150
Total accumulated depreciation	196,706	15,168	-	211,874
Total capital assets being depreciated, net	\$ 211,770	\$ (9,574)	\$ -	\$ 202,196
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 17,123	\$ 17,612	\$ -	\$ 34,735
Capital assets being depreciated				
Buildings	30,636	-	-	30,636
Machinery and equipment	136,364	11,995	-	148,359
Furniture and fixtures	25,925	-	-	25,925
Distribution system	3,871,693	-	-	3,871,693
Total capital assets being depreciated	4,064,618	11,995	-	4,076,613
Less accumulated depreciation for:				
Buildings	23,990	1,171	-	25,161
Machinery and equipment	86,130	13,977	-	100,107
Furniture and fixtures	16,127	2,420	-	18,547
Distribution system	1,772,820	133,230	-	1,906,050
Total accumulated depreciation	1,899,067	150,798	-	2,049,865
Total business-type assets being depreciated, net	\$ 2,165,551	\$ (138,803)	\$ -	\$ 2,026,748

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Depreciation expense of \$15,168 for the year ended June 30, 2004, was charged to the following governmental functions:

Public safety	\$ 1,300
General administration	13,868
Total	<u>\$ 15,168</u>

**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The bank deposits interest earned on the Town's certificates of deposits monthly into the Town's general fund. These certificated are held in the Town's proprietary fund therefore the deposit into the general fund is a transfer.

	<u>Transfer in</u>	<u>Transfer out</u>
General fund	\$ 9,600	\$ -
Proprietary fund	-	9,600
Total	<u>\$ 9,600</u>	<u>\$ 9,600</u>

**7. ACCOUNTS, SALARIES, AND OTHER PAYABLES**

The payables of \$8,347 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Accounts	\$ 870	\$ 57	\$ 7,420	<u>\$ 8,347</u>

**8. PENSION PLAN**

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

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

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Concluded)

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 11.00 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members 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, 2004, 2003, and 2002, were \$9,970, \$7,237, and \$4,956 respectively, equal to the required contributions for each year.

**9. RESERVED RETAINED EARNINGS**

The Proprietary Fund – The Utility Fund had reserved retained earnings available as follows:

Restricted assets:		
Replacement and extension accounts	\$	397,085
Customers' deposits		<u>43,645</u>
Total	\$	<u>440,730</u>
Less:		
Liabilities payable from restricted assets:		
Customers deposits	\$	<u>43,115</u>
Reserved retained earnings	\$	<u>397,615</u>

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Compensation Paid to Board Members  
For the Year Ended June 30, 2004

BOARD MEMBERS	<u>Compensation Paid</u>
Clarence Beebe, Mayor	\$ 8,400
Jose Chavez	2,400
Doyle Carpenter	2,400
Terri Whiddon	1,600
Tom Reeks	2,400
Lawrence Trotti	2,400
Barbara Evans	<u>200</u>
	<u>\$ 19,800</u>

OTHER REPORTS

Schedule of Prior Year Audit Findings  
Year Ended June 30, 2004

Findings - Financial Statement Audit

There were no prior year audit findings reported as of June 30, 2003.

# John A. Windham, CPA

*A Professional Corporation*

1620 North Pine Street  
DeRidder, LA 70634  
Tel: (337) 462-3211  
Fax: (337) 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 Clarence Beebe, Mayor  
and the Members of the Board of Aldermen  
Town of Hornbeck, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hornbeck, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town of Hornbeck, Louisiana's basic financial statements and have issued my report thereon dated December 2, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Town of Hornbeck, Louisiana's 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.*

### 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 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 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 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.



The Honorable Clarence Beebe, Mayor  
Town of Hornbeck, Louisiana  
Page 2

This report is intended solely for the information and use of management, others within the organization, the Board of Aldermen, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Jeffrey D. Windham, CPA*

DeRidder, Louisiana  
December 2, 2004