

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

JUNE 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Hornbeck, Louisiana as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the municipality's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Hornbeck, Louisiana as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the town's proportionate share of the net pension liability and the schedule of the town's pension contributions on pages 32-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hornbeck, Louisiana's basic financial statements. The schedule of compensation paid to board members and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation paid to board members and schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation paid to board members and schedule of compensation, benefits and other payments to agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the Town of Hornbeck, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hornbeck, Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana  
November 20, 2017

## BASIC FINANCIAL STATEMENTS

Statement of Net Position  
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 39,443	\$ 250,766	\$ 290,209
Receivables:			
Sales taxes - restricted	5,015	-	5,015
Franchise taxes	2,156	-	2,156
Hotel/motel tax	9,755	-	9,755
Mowing right of way	540	-	540
Accounts	-	84,080	84,080
Restricted assets - cash	122,292	455,913	578,205
Due from other funds	18,907	-	18,907
Utility deposits	-	1,200	1,200
Capital assets not being depreciated	156,291	168,861	325,152
Capital assets being depreciated, net	1,804,816	7,530,054	9,334,870
Total assets	<u>\$ 2,159,215</u>	<u>\$ 8,490,874</u>	<u>\$ 10,650,089</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions	\$ 39,010	\$ 138,148	\$ 177,158
Total assets and deferred outflows of resources	<u>\$ 2,198,225</u>	<u>\$ 8,629,022</u>	<u>\$ 10,827,247</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,463	\$ 30,056	\$ 32,519
Retirement payable	1,489	4,371	5,860
Salaries payable	-	7,925	7,925
Payroll taxes payable	-	6,934	6,934
Due to other funds	-	18,907	18,907
Due to state	-	507	507
Long-term liabilities:			
Due in more than one year	98,079	364,646	462,725
Customer deposits	-	64,960	64,960
Total liabilities	<u>\$ 102,031</u>	<u>\$ 498,306</u>	<u>\$ 600,337</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension contributions	\$ 6,304	\$ 22,325	\$ 28,629
Total liabilities and deferred inflows of resources	<u>\$ 108,335</u>	<u>\$ 520,631</u>	<u>\$ 628,966</u>
<b>NET POSITION</b>			
Invested in capital assets	\$ 1,961,107	\$ 7,698,915	\$ 9,660,022
Restricted for:			
Replacement and extension	-	455,913	455,913
Sales taxes	125,746	-	125,746
Unrestricted	3,037	(46,437)	(43,400)
Total net position	<u>\$ 2,089,890</u>	<u>\$ 8,108,391</u>	<u>\$ 10,198,281</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,198,225</u>	<u>\$ 8,629,022</u>	<u>\$ 10,827,247</u>

The accompanying notes are an integral part of this statement.

Statement of Activities  
For the Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government and administration	\$ 126,110	\$ -	\$ -	\$ (126,110)	\$ -	\$ (126,110)
Public safety	37,422	8,612	-	(28,810)	-	(28,810)
Public works	76,640	6,280	25,220	(45,140)	-	(45,140)
Culture and recreation	5,601	-	-	(5,601)	-	(5,601)
Total governmental activities	<u>\$ 245,773</u>	<u>\$ 14,892</u>	<u>\$ 25,220</u>	<u>\$ (205,661)</u>	<u>\$ -</u>	<u>\$ (205,661)</u>
Business-type activities:						
Gas, water and sewer	<u>1,025,355</u>	<u>883,928</u>	<u>1,488,242</u>	<u>-</u>	<u>1,346,815</u>	<u>1,346,815</u>
Total government	<u>\$ 1,271,128</u>	<u>\$ 898,820</u>	<u>\$ 1,513,462</u>	<u>\$ (205,661)</u>	<u>\$ 1,346,815</u>	<u>\$ 1,141,154</u>
General revenues:						
Taxes:						
Sales taxes				64,397	-	64,397
Hotel/motel taxes				25,196	-	25,196
Franchise taxes				18,923	-	18,923
Occupational licenses and permits				22,543	-	22,543
Investment earnings				144	1,303	1,447
Rentals				44,600	-	44,600
Miscellaneous income				117	-	117
Gain on sale of assets				-	-	-
Nonemployer pension contribution revenue				1,450	5,135	6,585
Total general revenues				<u>177,370</u>	<u>6,438</u>	<u>183,808</u>
Change in net position				<u>(28,291)</u>	<u>1,353,253</u>	<u>1,324,962</u>
Net position at beginning of year				<u>2,118,181</u>	<u>6,755,138</u>	<u>8,873,319</u>
Net position at end of year				<u>\$ 2,089,890</u>	<u>\$ 8,108,391</u>	<u>\$ 10,198,281</u>

The accompanying notes are an integral part of this statement.

Balance Sheet  
Governmental Funds  
June 30, 2017

	<u>General</u>	<u>Major Fund Sales Tax</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 39,443	\$ -	\$ 39,443
Receivables:			
Sales taxes - restricted	-	5,015	5,015
Franchise taxes	2,156	-	2,156
Hotel/motel tax	9,755	-	9,755
Mowing right of way	540	-	540
Restricted cash and cash equivalents	-	122,292	122,292
Due from utility fund	18,907	-	18,907
Total assets	<u>\$ 70,801</u>	<u>\$ 127,307</u>	<u>\$ 198,108</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 902	\$ 1,561	\$ 2,463
Retirement payable	1,489	-	1,489
Total liabilities	<u>\$ 2,391</u>	<u>\$ 1,561</u>	<u>\$ 3,952</u>
Fund Balances:			
Unassigned	\$ 68,410	\$ -	\$ 68,410
Restricted	-	125,746	125,746
Total fund balances	<u>\$ 68,410</u>	<u>\$ 125,746</u>	<u>\$ 194,156</u>
Total liabilities and fund balances	<u>\$ 70,801</u>	<u>\$ 127,307</u>	<u>\$ 198,108</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2017

Total fund balance - total governmental funds	\$ 194,156
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	1,961,107
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows	39,010
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows	(6,304)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds	
Net pension liability	<u>(98,079)</u>
Net position of governmental activities	<u>\$ 2,089,890</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, 2017

	<u>General Fund</u>	<u>Major Fund</u> Sales Tax	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Sales	\$ -	\$ 64,397	\$ 64,397
Franchise	18,923	-	18,923
Hotel/motel	25,196	-	25,196
Intergovernmental:			
State grant	-	25,220	25,220
Occupational licenses and permits	22,543	-	22,543
Fees and charges for services	6,280	-	6,280
Investment income	41	103	144
Fines and forfeitures	8,612	-	8,612
Rentals	44,600	-	44,600
Miscellaneous	117	-	117
Total revenues	<u>\$ 126,312</u>	<u>\$ 89,720</u>	<u>\$ 216,032</u>
Expenditures			
General government	\$ 103,809	\$ 4,683	\$ 108,492
Public safety	17,716	-	17,716
Public works	-	53,611	53,611
Culture and recreation	615	-	615
Total expenditures	<u>\$ 122,140</u>	<u>\$ 58,294</u>	<u>\$ 180,434</u>
Net change in fund balance	\$ 4,172	\$ 31,426	\$ 35,598
Fund balances at beginning of year	<u>64,238</u>	<u>94,320</u>	<u>158,558</u>
Fund balances at end of year	<u>\$ 68,410</u>	<u>\$ 125,746</u>	<u>\$ 194,156</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, 2017

Net change in fund balances - total governmental funds	\$	35,598
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(55,857)
Pension expense is based on employer contributions in the governmental funds, but is an actuarially calculated expense on the statement of activities		<u>(8,032)</u>
Change in net position of governmental activities	\$	<u><u>(28,291)</u></u>

The accompanying notes are an integral part of this statement.

Statement of Net Position  
Proprietary Fund  
June 30, 2017

	Business-type Activities Enterprise Fund
	Water and Sewer
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 250,766
Receivables:	
Accounts	84,080
Total current assets	\$ 334,846
Noncurrent Assets	
Restricted cash and cash equivalents	\$ 455,913
Utility deposit	1,200
Capital assets not being depreciated	168,861
Capital assets being depreciated, net	7,530,054
Total noncurrent assets	\$ 8,156,028
Total assets	\$ 8,490,874
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	\$ 138,148
Total assets and deferred outflows of resources	\$ 8,629,022
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 30,056
Retirement payable	4,371
Salaries payable	7,925
Payroll taxes payable	6,934
Due to general fund	18,907
Due to state	507
Total current liabilities	\$ 68,700
Noncurrent Liabilities	
Customer deposits	\$ 64,960
Net pension liability	347,328
Compensated absences	17,318
Total noncurrent liabilities	\$ 429,606
Total liabilities	\$ 498,306
DEFERRED INFLOWS OF RESOURCES	
Pension contributions	\$ 22,325
Total liabilities and deferred inflows of resources	\$ 520,631
NET PENSION	
Invested in capital assets	\$ 7,698,915
Restricted for:	
Replacement and extension	455,913
Unrestricted	(46,437)
Total net position	\$ 8,108,391
Total liabilities, deferred inflows of resources, and net position	\$ 8,629,022

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2017

	Business-type Activities <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
Operating revenues	
Charges for services	\$ 883,928
Operating expenses	
Personal services	\$ 270,368
Cost of gas sold	161,909
Supplies	121,788
Contractual services	210,073
Depreciation	261,217
Total operating expenses	<u>\$ 1,025,355</u>
Income (loss) from operations	<u>\$ (141,427)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 1,303
Nonemployer pension contribution revenue	5,135
Total nonoperating revenues (expenses)	<u>\$ 6,438</u>
Income before transfers and contributions	<u>\$ (134,989)</u>
Capital contributions	<u>\$ 1,488,242</u>
Change in net position	\$ 1,353,253
Net position at beginning of year	<u>6,755,138</u>
Net position at end of year	<u><u>\$ 8,108,391</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2017

	Business-type Activities Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 878,832
Cash payments to suppliers for goods and services	(480,897)
Cash payments to employees for services	(260,645)
Net cash provided by operating activities	\$ 137,290
Cash flows from noncapital financing activities:	
Received from other funds	\$ 5,713
Nonemployer pension contribution revenue	5,135
Net cash provided by noncapital financing activities	\$ 10,848
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (2,088,301)
Contribution capital received	1,827,923
Net cash used by capital financing activities	\$ (260,378)
Cash flows from investing activities:	
Interest on cash and investments	\$ 1,303
Total cash flows provided from investing activities	\$ 1,303
Net increase (decrease) in cash and cash investments	\$ (110,937)
Cash and cash investments, July 1, 2016	817,616
Cash and cash investments, June 30, 2017	\$ 706,679

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2017

		<u>Business-type Activities Enterprise Funds</u>
		<u>Water and Sewer</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:		
Loss from operations	\$	(141,427)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	\$	261,217
Change in assets and liabilities:		
Increase in accounts receivable		(6,515)
Increase in accounts payable		12,873
Increase in customer deposits payable		1,419
Increase in payroll taxes payable		1,993
Increase in retirement payable		4,371
Increase in deferred outflows		(25,724)
Increase in deferred inflows		9,684
Increase in net pension liability payable		25,710
Decrease in salaries payable		(623)
Decrease in compensated absences payable		(5,688)
Net cash provided by operating activities	\$	<u>137,290</u>
		<u>(Concluded)</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Hornbeck, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2017

**INTRODUCTION**

The Town of Hornbeck was incorporated in 1902 under the provisions of the Lawson Act. The municipality operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Hornbeck conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The municipality maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 7 miles of roads and streets, gas, water, and sewer services to approximately 1,200 residents.

The municipality is located within Vernon Parish in the southwestern part of the State of Louisiana and is comprised of approximately 480 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water, sewer, and gas systems and perform the clerical work for the municipality. The police department consists of an elected chief of police.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

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

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

The municipality reports the following major governmental funds:

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

Special Revenue Fund – The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The municipality reports the following major proprietary fund:

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

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

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

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

The municipality has not established a policy for use of the unrestricted fund balance, therefore it considers committed fund balances to be used first, then assigned fund balances to be used next and finally the unassigned fund balance will be used.

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

Notes to the Financial Statements (Continued)

**C. Deposits and Investments**

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

**D. Receivables and Payables**

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

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

*Sales Taxes*

The Town of Hornbeck receives a one-percent sales tax, which is dedicated to repairs and maintenance of streets and roadways, water treatment facilities and the general improvements and maintenance of the municipality's public facilities. The sales tax was levied on November 19, 1983 and is a perpetual tax for the municipality.

**E. Restricted Assets**

Certain resources are set aside for the replacement and extension of the gas, water, and sewer systems are classified as restricted assets.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$5,000 or more for capitalizing capital assets.

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

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

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

Notes to the Financial Statements (Continued)

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

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

**G. Leave**

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

- A. Full-time employees shall be eligible for vacation, sick leave, family and medical leave, civil leave, military leave, education leave, maternity leave, and leave of absence without pay, as provided in this section.
- B. Vacation
  - (1) A full-time employee shall receive one week of vacation after one year of employment from their anniversary date.
  - (2) Employees shall receive two weeks vacation leave from their second year to their tenth year of employment.
  - (3) Employees shall receive three weeks of vacation after ten years of employment.
- C. Sick Leave
  - (1) "Sick leave" is leave with pay granted a full-time employee who is suffering with a disability which prevents him from performing his usual duties and responsibilities or who requires medical, dental, or optical consultation or treatment.
  - (2) After an employee's first full-time employment anniversary date, sick leave may also be used for immediate family. For this purpose, "immediate family" includes spouse, child, grandchild, mother, father, grandparent, mother-in-law, father-in-law, brother and sister.
  - (3) Sick leave with pay is not a right, which an employee may demand but a privilege granted by the municipality.
  - (4) Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examination or treatment, or exposure to a contagious disease when continued work might jeopardize the health of others. All such absences except those resulting from intemperance or immorality shall be charged against the sick leave credit of the employee.
  - (5) Sick leave credits accumulated by each employee as of the effective date of the Ordinance shall be retained.
  - (6) Each full-time employee shall earn sick leave at the rate of six days per year. However, no employee may accumulate more than eight hours of sick leave per year nor accumulate more than two hundred forty hours of sick leave overall.
  - (7) The mayor shall determine when a doctor's certificate is required and under what conditions certificates are required. Department heads shall be responsible for the application of this provision so that there will be no abuse of sick leave privileges.
  - (8) Employees who resign or retire or who are dismissed from employment shall not be paid for any accrued sick leave and all such leave shall be canceled.
  - (9) The mayor or authorized department head may place an employee, other than a police officer, on sick leave when the employee asserts the need to be absent from the work place because of the employee's illness or injury.

**H. Extraordinary and Special Items**

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

**I. Estimates**

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

**J. Fund Balances**

Restricted Amounts that are restricted to specific purposes should be reported as *restricted fund balance*. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

Unassigned Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**K. Restricted Net Position**

For government-wide statement of net position, net position is reported as restricted when constraints placed on net asset use either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS's fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Financial reporting information pertaining to the municipality's participation in the MERS is prepared in accordance with Governmental Accounting Standards Board "GASB" Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which have been adopted by the municipality for the fiscal year ended June 30, 2017.

Notes to the Financial Statements (Continued)

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of MERS have been determined on the same basis as they are reported by MERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing MERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the municipality's proportionate share of the plans net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

*EXCESS OF EXPENDITURES OVER APPROPRIATIONS* The following individual fund had actual expenditures over budgeted appropriations for the year ended June 30, 2017.

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
Sales Tax Fund	\$ 25,250	\$ 56,545	\$ 58,294	\$ 1,749

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2017, the municipality has cash and cash equivalents (book balances) totaling \$868,414 as follows:

Demand deposits	\$ 43
Time deposits	497,925
Interest bearing demand deposits	370,043
Petty cash	403
Total	<u>\$ 868,414</u>

The cash and cash equivalents of the Town of Hornbeck, Louisiana are subject to the following risk:

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the municipality's name.

At June 30, 2017, the municipality has \$886,859 in deposits (collected bank balances). These deposits are secured from risk by \$250,043 of federal deposit insurance and \$630,701 of pledged securities held by an unaffiliated bank of the pledgor bank. These pledged securities are deemed by law to be under the control and possession and in the name of the municipality. The remaining \$6,115 is unsecured and a violation of state law.

**4. RECEIVABLES**

The receivables of \$101,546 at June 30, 2017, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:				
Sales and use	\$ -	\$ 5,015	\$ -	\$ 5,015
Franchise	2,156	-	-	2,156
Hotel/motel	9,755	-	-	9,755
Accounts	-	-	84,080	84,080
Mowing right of way	540	-	-	540
Total	<u>\$ 12,451</u>	<u>\$ 5,015</u>	<u>\$ 84,080</u>	<u>\$ 101,546</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, 2017, for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 156,291	\$ -	\$ -	\$ 156,291
Capital assets being depreciated				
Buildings	\$ 925,528	\$ -	\$ -	\$ 925,528
Improvements other than building	1,340,949	-	-	1,340,949
Furniture and fixtures	19,313	-	-	19,313
Machinery and equipment	119,471	-	-	119,471
Vehicles	64,163	-	-	64,163
Total capital assets being depreciated	<u>\$ 2,469,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,469,424</u>
Less accumulated depreciation for:				
Buildings	\$ 142,235	\$ 18,938	\$ -	\$ 161,173
Improvements other than building	311,482	26,818	-	338,300
Furniture and fixtures	8,839	1,804	-	10,643
Machinery and equipment	98,173	4,114	-	102,287
Vehicles	48,022	4,183	-	52,205
Total accumulated depreciation	<u>\$ 608,751</u>	<u>\$ 55,857</u>	<u>\$ -</u>	<u>\$ 664,608</u>
Total capital assets being depreciated, net	<u>\$ 1,860,673</u>	<u>\$ (55,857)</u>	<u>\$ -</u>	<u>\$ 1,804,816</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 167,361	\$ -	\$ -	\$ 167,361
Construction in progress	603,724	1,732,378	2,334,602	1,500
Total capital assets not being depreciated	<u>\$ 771,085</u>	<u>\$ 1,732,378</u>	<u>\$ 2,334,602</u>	<u>\$ 168,861</u>
Capital assets being depreciated				
Vehicles	\$ 149,207	\$ -	\$ -	\$ 149,207
Buildings	894,517	1,416,041	-	2,310,558
Machinery and equipment	386,990	-	-	386,990
Distribution system	7,831,567	926,936	-	8,758,503
Total capital assets being depreciated	<u>\$ 9,262,281</u>	<u>\$ 2,342,977</u>	<u>\$ -</u>	<u>\$ 11,605,258</u>
Less accumulated depreciation for:				
Vehicles	\$ 81,127	\$ 26,789	\$ -	\$ 107,916
Buildings	883,767	3,308	-	887,075
Machinery and equipment	250,637	29,315	-	279,952
Distribution system	2,598,456	201,805	-	2,800,261
Total accumulated depreciation	<u>\$ 3,813,987</u>	<u>\$ 261,217</u>	<u>\$ -</u>	<u>\$ 4,075,204</u>
Total business-type assets being depreciated, net	<u>\$ 5,448,294</u>	<u>\$ 2,081,760</u>	<u>\$ -</u>	<u>\$ 7,530,054</u>

Depreciation expense of \$55,857 for the year ended June 30, 2017, was charged to the following governmental functions:

Public safety	\$ 19,706
Public works	23,029
Culture and recreation	4,986
General administration	8,136
Total	<u>\$ 55,857</u>

**6. CONSTRUCTION COMMITMENTS**

The municipality had an active construction project as of June 30, 2017. The Town of Hornbeck had one waterline replacement project. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
South Brushy Creek Road Waterline Replacement	\$ 1,500	\$ 153,500

Notes to the Financial Statements (Continued)

**7. ACCOUNTS AND OTHER PAYABLES**

The payables of \$118,198 at June 30, 2017, are as follows:

	General Fund	Sales Tax Fund	Proprietary Fund	Total
Accounts	\$ 902	\$ 1,561	\$ 30,056	\$ 32,519
Payroll taxes	-	-	6,934	6,934
Salaries	-	-	7,925	7,925
Retirement	1,489	-	4,371	5,860
Customer deposits	-	-	64,960	64,960
Total accounts and other payables	<u>\$ 2,391</u>	<u>\$ 1,561</u>	<u>\$ 114,246</u>	<u>\$ 118,198</u>

**8. DUE TO/FROM OTHER FUNDS**

	Due to	Due from
General Fund	\$ -	\$ 18,907
Proprietary Fund	18,907	-
Total	<u>\$ 18,907</u>	<u>\$ 18,907</u>

Interfund balances arise when one fund pays expenses that are allocated to another fund.

**9. PENSION PLAN**

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

A. Municipal Employees Retirement System of Louisiana (System)

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

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

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

Funding Policy. Under Plan A, members are required by state statute to contribute 9.50 percent of their annual covered salary and the Town of Hornbeck is required to contribute at an actuarially determined rate. The current rate is 22.75 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.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

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, 2017, 2016, and 2015, were \$49,602, \$31,617, and \$39,110, respectively, equal to the required contributions for each year.

*Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the municipality reported a liability of \$445,407 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The municipality's proportion of the net pension liability was based on a projection of the municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2016 the municipality's proportion was .108670%, which was a decrease of .007354% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the municipality recognized pension expense of \$74,339. At June 30, 2017, the municipality recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 14,080
Changes of assumptions	16,214	-
Net difference between projected and actual earnings on pension plan investments	101,719	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,623	14,549
Town contributions subsequent to the measurement date	49,602	-
Total	<u>\$ 177,158</u>	<u>\$ 28,629</u>

The \$49,602 reported as deferred outflows of resources related to pensions resulting from the municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 35,833
2017	14,355
2018	32,959
2019	15,780
2020	-
Thereafter	-
Total	<u>\$ 98,927</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

*Actuarial Methods and Assumptions*

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension liability of the System's employers for Plan A determined in accordance with GASB No. 67 as of June 30, 2016 are as follows:

	Plan A June 30, 2016
Total pension liability	\$ 1,081,747,268
Plan fiduciary net position	671,876,210
Employer's net pension liability	<u>\$ 409,871,058</u>
 Plan fiduciary net position as a % of the total pension liability	 62.11%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revisions as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2016 valuation was based on the results of an experience study, for the period of July 2009 through June 30, 2014.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Expected remaining service lives	3 years – Plan A
Investment rate of return	7.500%
Inflation rate	2.875%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Health Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled Annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

Notes to the Financial Statements (Continued)

*Discount Rate*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.60%
Public fixed income	35%	1.80%
Alternatives	15%	0.80%
Totals	100%	5.20%
Inflation		2.50%
Expected Arithmetic Nominal Return		7.70%

The discount rate used to measure the total pension liability was 7.50% for the year ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2016 is 3 years for Plan A.

*Sensitivity to Changes in Discount Rate*

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.50%, or one percentage point higher 8.50% than the current rate as of June 30, 2016:

Notes to the Financial Statements (Continued)

	Changes in Discount Rate:		
		Current	
	1%	Discount	1%
	Decrease	Rate	Increase
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 566,195	\$ 445,407	\$ 342,338

**10. STATE OF LOUISIANA, PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**

The municipality offers membership in the State of Louisiana, Public Employees Deferred Compensation Plan, a qualified retirement plan under section 457 of the Internal Revenue Code administered by Great West Life and Annuity Insurance Company.

The Louisiana Deferred Compensation Plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants defer federal and state income tax on their contributions. In addition, interest or earnings on the account accumulates tax-deferred. Participants may join the plan with as little as \$10 per pay period, \$20 per month, and contribute up to 100% of taxable compensation, not to exceed \$18,000 and \$18,000 per calendar years for 2016 and 2017, respectively. Additionally if age 50 or older an additional amount may be deferred (up to \$6,000 and \$6,000 per calendar years 2016 and 2017 respectively) above the annual deferral limit.

A special “catch-up” provision may be used to invest an amount determined by using a special formula per year for three years prior to retirement. Any amount excluded from gross income through salary reduction under a 403(b) annuity, a 401(k) profit-sharing plan or a Simplified Employee Pension (SEP) is to be treated as amounts deferred under this deferred compensation plan. Participants joining the Plan may choose the amount to contribute and the investment option(s). They may revise their choice at any time, transfer monies to other available investment options and may increase, decrease or stop deferrals any time. The Plan offers both a guaranteed option and variable investment options, from which participants may select a fund or combination of funds to satisfy their personal investment objectives. Each of the funds has independent investment objectives and utilizes different investment strategies. With the exception of the Great-West Guaranteed Fund, the remaining investment options are variable in nature. Values of the variable options are not guaranteed as to a fixed dollar amount and may increase or decrease according to the investment experience of the underlying portfolio. The expense to administer the Plan is borne by all participants. The administrative fee is approximately .85% and is assessed on each of the options selected. The variable options also have investment management fees that vary based upon the option chosen. Both the administrative and investment management fees are calculated and deducted daily on a pro-rata basis. There are no annual contract charges or transaction charges. At retirement, 100% of the account value will be applied to any of the following settlement options chosen. The options include among others:

- Periodic payment
- Payments over your lifetime
- Payments for a specific time or amount
- Joint and survivor benefits
- Lump-sum payment
- Any combination of the above options

The Plan is administrated by Great-West Life and Annuity Insurance Company; 2237 South Acadian Thruway Suite 702; Baton Rouge, LA 70808; (800) 937-7604 or (225) 926-8086.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

**11. RESTRICTED NET POSITION/FUND BALANCES**

The Proprietary Fund – The Utility Fund had restricted net position available as follows:

Restricted assets:	
Replacement and extension cash accounts	<u>\$ 455,913</u>

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

Restricted assets:	
Sales tax cash account	\$ 122,292
Sales tax receivable	<u>5,015</u>
Total restricted assets	<u>\$ 127,307</u>
Liabilities payable from restricted assets:	
Accounts payable	<u>\$ 1,561</u>
Restricted fund balance	<u>\$ 125,746</u>

**12. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2017.

	<u>Proprietary Fund</u>		
	<u>Compensated Absences</u>	<u>Pension Liability</u>	<u>Total</u>
Long-term obligations at beginning of year	\$ 23,006	\$ 321,618	\$ 344,624
Additions	11,579	79,197	90,776
Reductions	<u>(17,267)</u>	<u>(53,487)</u>	<u>(70,754)</u>
Long-term obligations at end of year	<u>\$ 17,318</u>	<u>\$ 347,328</u>	<u>\$ 364,646</u>
	<u>Governmental Fund</u>		
	<u>Pension Liability</u>		
Long-term obligations at beginning of year	\$ 92,838		
Additions	26,093		
Reductions	<u>(20,852)</u>		
Long-term obligations at end of year	<u>\$ 98,079</u>		

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Concluded)

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2017.

	<u>Proprietary Fund</u>		
	<u>Compensated Absences</u>	<u>Pension Liability</u>	<u>Total</u>
Current portion	\$ -	\$ -	\$ -
Long-term portion	17,318	347,328	364,646
Total	<u>\$ 17,318</u>	<u>\$ 347,328</u>	<u>\$ 364,646</u>
	<u>Governmental Fund</u>		
	<u>Pension Liability</u>		
Current portion	\$ -		
Long-term portion	98,079		
Total	<u>\$ 98,079</u>		

**13. NEGATIVE UNRESTRICTED NET POSITION**

The Utility Fund had a negative unrestricted net position of \$46,437 as of June 30, 2017. This is due to the utility fund showing a net adjustment of pension liability of \$248,823 as required by "GASB" Statement No. 68. The overall net position in the utility fund was a positive \$8,108,391. The board will monitor this negative unrestricted net position and take appropriate action when needed.

REQUIRED SUPPLEMENTAL INFORMATION

General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Franchise fees	\$ 18,070	\$ 21,187	\$ 18,923	\$ (2,264)
Hotel/motel	27,874	22,719	25,196	2,477
Occupational licenses and permits	15,889	26,607	22,543	(4,064)
Fees and charges for services	6,460	8,250	6,280	(1,970)
Investment income	65	41	41	-
Fines and forfeitures	28,100	8,724	8,612	(112)
Rentals	46,325	43,450	44,600	1,150
Miscellaneous	500	4	117	113
Total revenues	<u>\$ 143,283</u>	<u>\$ 130,982</u>	<u>\$ 126,312</u>	<u>\$ (4,670)</u>
Expenditures				
General government and administration	\$ 110,399	\$ 107,244	\$ 103,809	\$ 3,435
Public safety	21,659	18,614	17,716	898
Culture and recreation	2,150	683	615	68
Total expenditures	<u>\$ 134,208</u>	<u>\$ 126,541</u>	<u>\$ 122,140</u>	<u>\$ 4,401</u>
Net change in fund balance	\$ 9,075	\$ 4,441	\$ 4,172	\$ (269)
Fund balances at beginning of year	<u>60,000</u>	<u>64,238</u>	<u>64,238</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 69,075</u></u>	<u><u>\$ 68,679</u></u>	<u><u>\$ 68,410</u></u>	<u><u>\$ (269)</u></u>

Special Revenue Fund  
Sales Tax Fund  
Schedules of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 50,000	\$ 64,489	\$ 64,397	\$ (92)
Intergovernmental:				
State grant	-	25,220	25,220	-
Investment income	80	103	103	-
Total revenues	<u>\$ 50,080</u>	<u>\$ 89,812</u>	<u>\$ 89,720</u>	<u>\$ (92)</u>
Expenditures				
General government and administration	\$ 3,750	\$ 5,812	\$ 4,683	\$ 1,129
Public works	21,500	50,733	53,611	(2,878)
Total expenditures	<u>\$ 25,250</u>	<u>\$ 56,545</u>	<u>\$ 58,294</u>	<u>\$ (1,749)</u>
Excess (deficiency) of revenues over expenditures	\$ 24,830	\$ 33,267	\$ 31,426	\$ (1,841)
Fund balances at beginning of year	<u>95,170</u>	<u>94,320</u>	<u>94,320</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 120,000</u></u>	<u><u>\$ 127,587</u></u>	<u><u>\$ 125,746</u></u>	<u><u>\$ (1,841)</u></u>

Schedule of the Town's Proportionate Share of the Net Pension Liability  
For the Year Ended June 30, 2017

Municipal Employees' Retirement System	June 30, 2015	June 30, 2016	June 30, 2017
Town's proportion of the net pension liability (asset)	.106203%	.116024%	.108670%
Town's proportionate share of the net pension liability (asset)	\$ 272,564	\$ 414,456	\$ 445,407
Town's covered-employee payroll	\$ 198,025	\$ 160,086	\$ 217,990
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	137.64%	258.90%	204.32%
Plan fiduciary net position as a percentage of the total pension liability	73.99%	66.18%	62.11%

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

Schedule of the Town's Pension Contributions  
For the Year Ended June 30, 2017

Municipal Employees' Retirement System	June 30, 2015	June 30, 2016	June 30, 2017
Contractually required contribution	\$ 39,110	\$ 31,617	\$ 49,602
Contributions in relation to the contractually required contribution	<u>39,110</u>	<u>31,617</u>	<u>49,602</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 198,025	\$ 160,086	\$ 217,990
Contributions as a percentage of covered-employee payroll	19.75%	19.75%	22.75%

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

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Compensation Paid to Board Members  
For the Year Ended June 30, 2017

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

Schedule of Compensation, Benefits and  
Other Payments to Agency Head  
Year Ended June 30, 2017

Agency Head Name - Clarence Beebe

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 48,000
Benefits - insurance	-
Benefits - retirement	10,920
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	1,874
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	22
Travel	1,897
Registration fees	475
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

## OTHER REPORTS

Schedule of Prior Year Audit Findings  
Year Ended June 30, 2017

There were no prior year audit findings as of June 30, 2016.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2017Finding-Financial Statement AuditAudit Finding No. 2017-1Deposits at local bank not collateralized by pledged securities

Condition:	There was \$6,115 of deposits at a local fiscal agent bank that had no federal deposit insurance or securities pledged as collateral.
Criteria:	According to state law any deposits over the Federal Deposit Insurance Corporation's (FDIC) allowed limit must be secured by securities pledged by the fiscal agent bank to the entity as collateral.
Cause and Condition:	When the Town's deposits at the local bank exceeded the FDIC coverage limit of \$250,000 for interest bearing deposits and \$250,000 for non-interest bearing deposits and interest bearing checking accounts, it was not noted by the fiscal agent bank and the securities that were pledged were not enough to cover the excess deposits over the FDIC coverage limit.
Effect of Condition:	The Town of Hornbeck had \$6,115 of deposits that had no FDIC coverage or securities pledged to secure these deposits. This is a violation of state law.
Recommendation:	Since this was not known by the Town, we recommend that the Town closely monitor the pledged securities that are used as collateral and make sure that the market value of the pledged securities plus FDIC coverage is enough to cover deposits at all times. It was noted that as of the audit report release date additional securities with sufficient market values had been pledged by the fiscal agent bank to cover the Town's deposits.

**Town of Hornbeck**  
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P.O. Box 129  
Hornbeck, Louisiana 71439  
(318) 565-4659 Fax (318) 565-4228

Clarence Beebe-Mayor  
Jody Browning-Operations Manager  
Cara McDaniel-Clerk  
Glen Pourch-Chief of Police

Alderman  
Lance Ellis  
Terri Whiddon  
Lawrence Trotti  
Greg Lantier  
Jonathan Hyatt

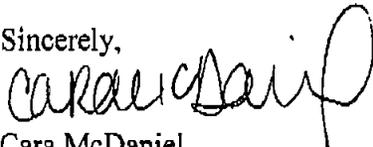
November 29, 2017

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Mr. Purpera,

The Town of Hornbeck will continue to closely monitor the pledged securities to ensure that there is a sufficient amount at all times to cover the Town's deposits.

Sincerely,

  
Cara McDaniel  
Clerk

# Windham & Reed, L.L.C.

*Certified Public Accountants*

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DeRidder, LA 70634  
Tel: (337) 462-3211  
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John A. Windham, CPA  
Charles M. Reed, Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hornbeck, Louisiana as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Hornbeck, Louisiana's basic financial statements, and have issued our report thereon dated November 20, 2017.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Hornbeck, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hornbeck, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hornbeck, Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Hornbeck, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year audit findings and management's response as item Audit Finding No. 2017-1.

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

**Town of Hornbeck, Louisiana’s Response to Finding**

Town of Hornbeck, Louisiana’s response to the findings identified in our audit is described in the accompanying schedule of current year audit findings and management’s response. Town of Hornbeck, Louisiana’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DeRidder, Louisiana  
November 20, 2017

# Windham & Reed, L.L.C.

*Certified Public Accountants*

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DeRidder, LA 70634  
Tel: (337) 462-3211  
Fax: (337) 462-0640

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

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Town of Hornbeck, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget  
*Obtained the Town's written policies and procedures that address budgeting.*
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
*Obtained the Town's written policies and procedures that address purchasing.*
  - c) **Disbursements**, including processing, reviewing, and approving  
*Obtained the Town's written policies and procedures that address disbursements.*

- d) **Receipts**, including receiving, recording, and preparing deposits  
*Obtained the Town's written policies and procedures that address receipts.*
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.  
*Obtained the Town's written policies and procedures that address payroll/personnel.*
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process  
*Obtained the Town's written policies and procedures that address contracting.*
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage  
*Obtained the Town's written policies and procedures that address credit cards.*
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers  
*Obtained the Town's written policies and procedures that address travel and expense reimbursement.*
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.  
*Not applicable.*
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.  
*The Town does not have written policies and procedures that address debt service.*

**Board (or Finance Committee, if applicable)**

---

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.  
*Obtained and reviewed the board minutes noting the managing board met on a monthly basis.*
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).  
*The minutes did not specifically reference monthly budget-to-actual comparisons.*
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting

minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*Not applicable.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*Reviewed minutes for the fiscal period that referenced non-budgetary financial information.*

### ***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*Obtained a listing of all bank accounts along with management's representation.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

*Monthly bank reconciliations were prepared without any noted exceptions.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*There was evidence that a member of management or a board member reviewed each bank reconciliation.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*Bank reconciliations having outstanding items for over six months did not contain documentation reflecting that management has researched such items.*

### ***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*Obtained a listing of cash collection locations along with management's representation that the listing is complete. All collections take place in the Town's office.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*In the one collection location, the individuals responsible for collecting cash were not bonded.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*The Town's clerk reconciles cash collections to the general ledger using system reports and reconciliation worksheets. The Clerk will collect cash when needed due to the small office staff.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*During the week tested, all deposits occurred on Friday, thus Monday through Wednesday deposits were not made within one day of collection. Collections were made each day during the work week.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*Daily cash collections were completely supported by documentation.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*The written procedures obtained do not specifically address this function.*

#### ***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

---

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*The general ledger was obtained and sorted along with management's representation.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.  
*The Town does not have a purchase order system in place for all purchases.*
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.  
*The Town does not have a purchase order system in place; however, each payment for goods or services was approved before disbursement.*
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.  
*The Town does not have a purchase order system in place; however, each payment for goods or services had an approved invoice before disbursement.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The Town has no written policy addressing the addition of vendors.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*Written policies and procedures were obtained and address this function. The Mayor and board members have signing authority and do not process or record disbursements.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*No exceptions were noted.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*Not applicable.*

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*A listing of active credit cards along with management's representation was obtained.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

*The Town has 4 credit cards, each was selected.*

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*Monthly combined statements were obtained and evidence was noted that monthly statements were reviewed and approved by the Mayor and clerk.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*No finance charges and/or late fees were assessed during the month selected.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*No exceptions were noted.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*No exceptions were noted.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*Not applicable.*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*Obtained written policies, no exceptions were noted.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or

obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions were noted.*

### ***Travel and Expense Reimbursement***

---

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*A listing was obtained along with management's representation.*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*No exceptions were noted.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*Expenses were paid in accordance with the Town's written policy.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*No exceptions were noted.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*No exceptions were noted.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*No exceptions were noted.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or

obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions were noted.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions were noted.*

### ***Contracts***

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*Obtained a listing along with management's representation.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*The Town uses written contracts for capital projects and grants. In these instances, written contracts supporting the services arrangement were noted.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*No exceptions were noted.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*No exceptions were noted.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*Not applicable.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions were noted.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*Proper approval noted in the minutes.*

### ***Payroll and Personnel***

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- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*Obtained a listing along with management's representation.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*No exceptions were noted.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*No exceptions were noted.*

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*Obtained applicable records, no exceptions were noted.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*No written documentation of leave approval by supervisors was maintained.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*Obtained written documentation of leave records, no exceptions were noted.*

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*Not applicable.*

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and

retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*Obtained supporting documentation, no exceptions were noted.*

### ***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*No exceptions were noted.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*No exceptions were noted during inquiries of management.*

### ***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*Not applicable.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*Not applicable.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable.*

### ***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*No exceptions were noted during inquiries of management.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.la.gov/hotline](http://www.la.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The Town has the notice posted on its premises. The Town did not have the notice posted on its website.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions were noted.*

### ***Management's Response and Corrective Action***

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Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) Board – Procedure 2.b: The Town will begin to reference monthly budget-to-actual comparisons in the minutes.
- b) Bank Reconciliations – Procedure 4.c: The Clerk will begin to research checks that have been outstanding for more than 6 months.
- c) Collections – Procedure 6.a: The Town has already begun the process to ensure each person responsible for collecting cash is bonded.
- d) Collections/Disbursements – Procedures 6.b, 6.c, 7 and 9: The Town will make reasonable cost effective efforts as much as possible to eliminate these exceptions.
- e) Payroll & Personnel – Procedure 23.b: The Town maintains leave records; however, verbal approval is granted to employees who have available leave.
- f) Other – Procedure 32: The Town will work to update its website to include the required notice.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Windham & Reed CPA, L.L.C.  
DeRidder, Louisiana  
November 20, 2017