

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

JUNE 30, 2018

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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, 2018, 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, 2018, 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 34-37 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 29, 2018, 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 29, 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2018

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 58,464 | \$ 331,635 | \$ 390,099 |
| Receivables: | | | |
| Sales taxes - restricted | 4,866 | - | 4,866 |
| Franchise taxes | 2,307 | - | 2,307 |
| Hotel/motel tax | 7,454 | - | 7,454 |
| Mowing right of way | 180 | - | 180 |
| Court fees | 12 | - | 12 |
| Insurance premium tax | 230 | - | 230 |
| Accounts | - | 79,156 | 79,156 |
| Intergovernmental: | | | |
| Federal grant | - | 27,414 | 27,414 |
| Restricted assets - cash | 109,216 | 456,813 | 566,029 |
| Due from other funds | 24,701 | - | 24,701 |
| Utility deposits | - | 1,200 | 1,200 |
| Capital assets not being depreciated | 156,291 | 169,735 | 326,026 |
| Capital assets being depreciated, net | 1,758,910 | 7,374,260 | 9,133,170 |
| Total assets | <u>\$ 2,122,631</u> | <u>\$ 8,440,213</u> | <u>\$ 10,562,844</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension contributions | <u>\$ 38,814</u> | <u>\$ 153,523</u> | <u>\$ 192,337</u> |
| Total assets and deferred outflows of resources | <u><u>\$ 2,161,445</u></u> | <u><u>\$ 8,593,736</u></u> | <u><u>\$ 10,755,181</u></u> |
| LIABILITIES | | | |
| Accounts payable | \$ 1,953 | \$ 17,775 | \$ 19,728 |
| Contracts payable | - | 27,414 | 27,414 |
| Retirement payable | 1,569 | 5,176 | 6,745 |
| Salaries payable | - | 11,482 | 11,482 |
| Payroll taxes payable | - | 4,551 | 4,551 |
| Due to other funds | - | 24,701 | 24,701 |
| Due to state | - | 507 | 507 |
| Long-term liabilities: | | | |
| Net pension liability | 101,335 | 400,822 | 502,157 |
| Compensated absences | - | 21,112 | 21,112 |
| Customer deposits | - | 68,151 | 68,151 |
| Total liabilities | <u>\$ 104,857</u> | <u>\$ 581,691</u> | <u>\$ 686,548</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension contributions | <u>\$ 4,554</u> | <u>\$ 18,015</u> | <u>\$ 22,569</u> |
| Total liabilities and deferred inflows of resources | <u><u>\$ 109,411</u></u> | <u><u>\$ 599,706</u></u> | <u><u>\$ 709,117</u></u> |

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position
June 30, 2018

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|-------------------------------------|
| | Governmental Activities | Business-type Activities | |
| NET POSITION | | | |
| Invested in capital assets | \$ 1,915,201 | \$ 7,543,995 | \$ 9,459,196 |
| Restricted for: | | | |
| Replacement and extension | - | 456,813 | 456,813 |
| Sales taxes | 112,424 | - | 112,424 |
| Unrestricted | 24,409 | (6,778) | 17,631 |
| Total net position | <u>\$ 2,052,034</u> | <u>\$ 7,994,030</u> | <u>\$ 10,046,064</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 2,161,445</u> | <u>\$ 8,593,736</u> | <u>\$ 10,755,181</u> (Concluded) |

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2018

| | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | Total |
|--|---------------------|---|-------------------------------------|--|-----------------------------|----------------------|
| | Expenses | Fees, Fines, and Charges for Services | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| Governmental activities: | | | | | | |
| General government and administration | \$ 114,129 | \$ - | \$ - | \$ (114,129) | \$ - | \$ (114,129) |
| Public safety | 34,539 | 8,981 | - | (25,558) | - | (25,558) |
| Public works | 77,243 | 6,280 | - | (70,963) | - | (70,963) |
| Culture and recreation | 5,456 | - | - | (5,456) | - | (5,456) |
| Total governmental activities | <u>\$ 231,367</u> | <u>\$ 15,261</u> | <u>\$ -</u> | <u>\$ (216,106)</u> | <u>\$ -</u> | <u>\$ (216,106)</u> |
| Business-type activities: | | | | | | |
| Gas, water and sewer | <u>1,127,721</u> | <u>883,096</u> | <u>101,384</u> | <u>-</u> | <u>(143,241)</u> | <u>(143,241)</u> |
| Total government | <u>\$ 1,359,088</u> | <u>\$ 898,357</u> | <u>\$ 101,384</u> | <u>\$ (216,106)</u> | <u>\$ (143,241)</u> | <u>\$ (359,347)</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Sales taxes | | | | 54,281 | - | 54,281 |
| Hotel/motel taxes | | | | 21,906 | - | 21,906 |
| Franchise taxes | | | | 20,403 | - | 20,403 |
| Occupational licenses and permits | | | | 19,577 | - | 19,577 |
| Investment earnings | | | | 178 | 1,165 | 1,343 |
| Rentals | | | | 60,000 | - | 60,000 |
| Miscellaneous income | | | | 415 | - | 415 |
| Gain on sale of assets | | | | - | 10,853 | 10,853 |
| Insurance proceeds | | | | - | 10,964 | 10,964 |
| Nonemployer pension contribution revenue | | | | 1,491 | 5,897 | 7,388 |
| Total general revenues | | | | <u>178,251</u> | <u>28,879</u> | <u>207,130</u> |
| Change in net position | | | | <u>(37,855)</u> | <u>(114,362)</u> | <u>(152,217)</u> |
| Net position at beginning of year | | | | <u>2,089,889</u> | <u>8,108,392</u> | <u>10,198,281</u> |
| Net position at end of year | | | | <u>\$ 2,052,034</u> | <u>\$ 7,994,030</u> | <u>\$ 10,046,064</u> |

The accompanying notes are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2018

| | General | Major Fund Sales Tax | Total Governmental Funds |
|--------------------------------------|------------------|----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 58,464 | \$ - | \$ 58,464 |
| Receivables: | | | |
| Sales taxes - restricted | - | 4,866 | 4,866 |
| Franchise taxes | 2,307 | - | 2,307 |
| Hotel/motel tax | 7,454 | - | 7,454 |
| Mowing right of way | 180 | - | 180 |
| Court fees | 12 | - | 12 |
| Insurance premium tax | 230 | - | 230 |
| Restricted cash and cash equivalents | - | 109,216 | 109,216 |
| Due from utility fund | 24,701 | - | 24,701 |
| | <u>\$ 93,348</u> | <u>\$ 114,082</u> | <u>\$ 207,430</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 295 | \$ 1,658 | \$ 1,953 |
| Retirement payable | 1,569 | - | 1,569 |
| | <u>\$ 1,864</u> | <u>\$ 1,658</u> | <u>\$ 3,522</u> |
| Fund Balances: | | | |
| Unassigned | \$ 91,484 | \$ - | \$ 91,484 |
| Restricted | - | 112,424 | 112,424 |
| | <u>\$ 91,484</u> | <u>\$ 112,424</u> | <u>\$ 203,908</u> |
| Total liabilities and fund balances | <u>\$ 93,348</u> | <u>\$ 114,082</u> | <u>\$ 207,430</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, 2018

| | |
|---|----------------------------|
| Total fund balance - total governmental funds | \$ 203,908 |
| 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. | 1,915,201 |
| Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows | 38,814 |
| Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows | (4,554) |
| 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>(101,335)</u> |
| Net position of governmental activities | <u><u>\$ 2,052,034</u></u> |

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

| | <u>General Fund</u> | <u>Major Fund</u> Sales Tax | <u>Total Governmental Funds</u> |
|------------------------------------|---------------------|-----------------------------------|---|
| Revenues | | | |
| Taxes: | | | |
| Sales | \$ - | \$ 54,281 | \$ 54,281 |
| Franchise | 20,403 | - | 20,403 |
| Hotel/motel | 21,906 | - | 21,906 |
| Occupational licenses and permits | 19,577 | - | 19,577 |
| Fees and charges for services | 6,280 | - | 6,280 |
| Investment income | 70 | 108 | 178 |
| Fines and forfeitures | 8,981 | - | 8,981 |
| Rentals | 60,000 | - | 60,000 |
| Miscellaneous | 415 | - | 415 |
| Total revenues | <u>\$ 137,632</u> | <u>\$ 54,389</u> | <u>\$ 192,021</u> |
| Expenditures | | | |
| General government | \$ 99,254 | \$ 3,545 | \$ 102,799 |
| Public safety | 14,833 | - | 14,833 |
| Public works | - | 54,566 | 54,566 |
| Culture and recreation | 470 | - | 470 |
| Capital outlay | - | 9,600 | 9,600 |
| Total expenditures | <u>\$ 114,557</u> | <u>\$ 67,711</u> | <u>\$ 182,268</u> |
| Net change in fund balance | \$ 23,075 | \$ (13,322) | \$ 9,753 |
| Fund balances at beginning of year | <u>68,409</u> | <u>125,746</u> | <u>194,155</u> |
| Fund balances at end of year | <u>\$ 91,484</u> | <u>\$ 112,424</u> | <u>\$ 203,908</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, 2018

| | | |
|---|----|----------|
| Net change in fund balances - total governmental funds | \$ | 9,753 |
| 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. | | |
| | | (55,506) |
| Pension expense is based on employer contributions in the governmental funds, but is an actuarially calculated expense on the statement of activities. | | |
| | | (1,702) |
| Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | | |
| | | 9,600 |
| Change in net position of governmental activities | \$ | (37,855) |

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2018

| | Business-type Activities Enterprise Fund |
|---|---|
| | Water and Sewer |
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 331,635 |
| Receivables: | |
| Accounts | 79,156 |
| Intergovernmental: | |
| Federal grant | 27,414 |
| Restricted cash and cash equivalents | 456,813 |
| Total current assets | \$ 895,018 |
| Noncurrent Assets | |
| Utility deposit | \$ 1,200 |
| Capital assets not being depreciated | 169,735 |
| Capital assets being depreciated, net | 7,374,260 |
| Total noncurrent assets | \$ 7,545,195 |
| Total assets | \$ 8,440,213 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension contributions | \$ 153,523 |
| Total assets and deferred outflows of resources | \$ 8,593,736 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | \$ 17,775 |
| Contracts payable | 27,414 |
| Retirement payable | 5,176 |
| Salaries payable | 11,482 |
| Payroll taxes payable | 4,551 |
| Due to general fund | 24,701 |
| Due to state | 507 |
| Total current liabilities | \$ 91,606 |
| Noncurrent Liabilities | |
| Customer deposits | \$ 68,151 |
| Net pension liability | 400,822 |
| Compensated absences | 21,112 |
| Total noncurrent liabilities | \$ 490,085 |
| Total liabilities | \$ 581,691 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension contributions | \$ 18,015 |
| Total liabilities and deferred inflows of resources | \$ 599,706 |

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 June 30, 2018

| | Business-type Activities Enterprise Fund |
|---|---|
| | <u>Water and Sewer</u> |
| NET PENSION | |
| Invested in capital assets | \$ 7,543,995 |
| Restricted for: | |
| Replacement and extension | 456,813 |
| Unrestricted | <u>(6,778)</u> |
| Total net position | <u>\$ 7,994,030</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 8,593,736</u> |
| | (Concluded) |

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, 2018

| | <u>Business-type Activities Enterprise Fund Water and Sewer</u> |
|---|---|
| Operating revenues | |
| Charges for services | \$ 883,096 |
| Operating expenses | |
| Personal services | \$ 316,057 |
| Cost of gas sold | 140,942 |
| Supplies | 111,716 |
| Contractual services | 256,282 |
| Depreciation | 302,724 |
| Total operating expenses | <u>\$ 1,127,721</u> |
| Income (loss) from operations | <u>\$ (244,625)</u> |
| Nonoperating revenues (expenses) | |
| Investment income | \$ 1,165 |
| Insurance proceeds | 10,964 |
| Gain from asset sales | 10,853 |
| Nonemployer pension contribution revenue | 5,897 |
| Total nonoperating revenues (expenses) | <u>\$ 28,879</u> |
| Income before transfers and contributions | <u>\$ (215,746)</u> |
| Capital contributions | <u>\$ 101,384</u> |
| Change in net position | \$ (114,362) |
| Net position at beginning of year | <u>8,108,392</u> |
| Net position at end of year | <u><u>\$ 7,994,030</u></u> |

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

| | Business-type Activities Enterprise Fund |
|--|--|
| | Water and Sewer |
| Cash flows from operating activities: | |
| Cash received from customers | \$ 891,211 |
| Cash payments to suppliers for goods and services | (521,221) |
| Cash payments to employees for services | (276,475) |
| Net cash provided by operating activities | \$ 93,515 |
| Cash flows from noncapital financing activities: | |
| Received from other funds | \$ 5,794 |
| Nonemployer pension contribution revenue | 5,897 |
| Net cash provided by noncapital financing activities | \$ 11,691 |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | \$ (135,589) |
| Contribution capital received | 73,970 |
| Sale of assets | 26,052 |
| Insurance proceeds | 10,964 |
| Net cash used by capital financing activities | \$ (24,603) |
| Cash flows from investing activities: | |
| Interest on cash and investments | \$ 1,165 |
| Total cash flows provided from investing activities | \$ 1,165 |
| Net increase (decrease) in cash and cash investments | \$ 81,768 |
| Cash and cash investments, July 1, 2017 | 706,680 |
| Cash and cash investments, June 30, 2018 | \$ 788,448 |

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2018

| | | Business-type Activities Enterprise Funds |
|--|----|---|
| | | Water and Sewer |
| Reconciliation of income (loss) from operations to net cash provided by operating activities: | | |
| Loss from operations | \$ | (244,625) |
| Adjustments to reconcile income (loss) from operations to net cash provided by operating activities: | | |
| Depreciation | \$ | 302,724 |
| Change in assets and liabilities: | | |
| Decrease in accounts receivable | | 4,924 |
| Decrease in accounts payable | | (12,281) |
| Increase in customer deposits payable | | 3,191 |
| Decrease in payroll taxes payable | | (2,383) |
| Increase in retirement payable | | 805 |
| Increase in deferred outflows | | (15,375) |
| Decrease in deferred inflows | | (4,310) |
| Increase in net pension liability payable | | 53,494 |
| Increase in salaries payable | | 3,557 |
| Increase in compensated absences payable | | 3,794 |
| Net cash provided by operating activities | \$ | 93,515 |
| | | (Concluded) |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Hornbeck, Louisiana
Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

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.

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. Sales taxes received are also 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.

Town of Hornbeck, Louisiana

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, 2018.

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 budgets for the General Fund and Sales Tax Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual fund had actual expenditures over budgeted appropriations for the year ended June 30, 2018.

| Fund | Original Budget | Final Budget | Actual | Unfavorable Variance |
|----------------|--------------------|-----------------|-----------|-------------------------|
| Sales Tax Fund | \$ 27,150 | \$ 67,614 | \$ 67,711 | \$ 97 |

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

3. CASH AND CASH EQUIVALENTS

At June 30, 2018, the municipality has cash and cash equivalents (book balances) totaling \$956,128 as follows:

| | | |
|-----------------|----|----------------|
| Demand deposits | \$ | 43 |
| Time deposits | | 498,824 |
| NOW accounts | | 456,858 |
| Petty cash | | 403 |
| Total | \$ | <u>956,128</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, 2018, the municipality has \$949,229 in deposits (collected bank balances). These deposits are secured from risk by \$250,043 of federal deposit insurance and \$699,186 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.

4. RECEIVABLES

The receivables of \$121,619 at June 30, 2018, 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 | \$ - | \$ 4,866 | \$ - | \$ 4,866 |
| Franchise | 2,307 | - | - | 2,307 |
| Hotel/motel | 7,454 | - | - | 7,454 |
| Intergovernmental: | | | | |
| Federal grant | - | - | 27,414 | 27,414 |
| Accounts | - | - | 79,156 | 79,156 |
| Mowing right of way | 180 | - | - | 180 |
| Court fees | 12 | - | - | 12 |
| Insurance premium tax | 230 | - | - | 230 |
| Total | <u>\$ 10,183</u> | <u>\$ 4,866</u> | <u>\$ 106,570</u> | <u>\$ 121,619</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, 2018, 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 | 9,600 | - | 129,071 |
| Vehicles | 64,163 | - | - | 64,163 |
| Total capital assets being depreciated | <u>\$ 2,469,424</u> | <u>\$ 9,600</u> | <u>\$ -</u> | <u>\$ 2,479,024</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 161,173 | \$ 18,938 | \$ - | \$ 180,111 |
| Improvements other than building | 338,300 | 26,147 | - | 364,447 |
| Furniture and fixtures | 10,643 | 1,804 | - | 12,447 |
| Machinery and equipment | 102,287 | 4,434 | - | 106,721 |
| Vehicles | 52,205 | 4,183 | - | 56,388 |
| Total accumulated depreciation | <u>\$ 664,608</u> | <u>\$ 55,506</u> | <u>\$ -</u> | <u>\$ 720,114</u> |
| Total capital assets being depreciated, net | <u>\$ 1,804,816</u> | <u>\$ (45,906)</u> | <u>\$ -</u> | <u>\$ 1,758,910</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 | 1,500 | 121,003 | 120,129 | 2,374 |
| Total capital assets not being depreciated | <u>\$ 168,861</u> | <u>\$ 121,003</u> | <u>\$ 120,129</u> | <u>\$ 169,735</u> |
| Capital assets being depreciated | | | | |
| Vehicles | \$ 149,207 | \$ 42,000 | \$ 53,054 | \$ 138,153 |
| Buildings | 2,310,558 | - | - | 2,310,558 |
| Machinery and equipment | 386,990 | - | - | 386,990 |
| Distribution system | 8,758,503 | 120,129 | - | 8,878,632 |
| Total capital assets being depreciated | <u>\$ 11,605,258</u> | <u>\$ 162,129</u> | <u>\$ 53,054</u> | <u>\$ 11,714,333</u> |
| Less accumulated depreciation for: | | | | |
| Vehicles | \$ 107,916 | \$ 23,611 | \$ 37,855 | \$ 93,672 |
| Buildings | 887,075 | 35,759 | - | 922,834 |
| Machinery and equipment | 279,952 | 27,145 | - | 307,097 |
| Distribution system | 2,800,261 | 216,209 | - | 3,016,470 |
| Total accumulated depreciation | <u>\$ 4,075,204</u> | <u>\$ 302,724</u> | <u>\$ 37,855</u> | <u>\$ 4,340,073</u> |
| Total business-type assets being depreciated, net | <u>\$ 7,530,054</u> | <u>\$ (140,595)</u> | <u>\$ (15,199)</u> | <u>\$ 7,374,260</u> |

Depreciation expense of \$55,506 for the year ended June 30, 2018, was charged to the following governmental functions:

| | |
|------------------------|------------------|
| Public safety | \$ 19,706 |
| Public works | 22,677 |
| Culture and recreation | 4,986 |
| General administration | 8,137 |
| Total | <u>\$ 55,506</u> |

6. CONSTRUCTION COMMITMENTS

The municipality had an active construction project as of June 30, 2018. 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 |
|--|------------------|-------------------------|
| Utility Relocation LA 392 Bridge Project | \$ 2,374 | \$ 37,626 |

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

7. ACCOUNTS AND OTHER PAYABLES

The payables of \$138,071 at June 30, 2018, are as follows:

| | General Fund | Sales Tax Fund | Proprietary Fund | Total |
|--------------------------------------|-----------------|-------------------|---------------------|-------------------|
| Accounts | \$ 295 | \$ 1,658 | \$ 17,775 | \$ 19,728 |
| Contracts | - | - | 27,414 | 27,414 |
| Payroll taxes | - | - | 4,551 | 4,551 |
| Salaries | - | - | 11,482 | 11,482 |
| Retirement | 1,569 | - | 5,176 | 6,745 |
| Customer deposits | - | - | 68,151 | 68,151 |
| Total accounts and other payables | <u>\$ 1,864</u> | <u>\$ 1,658</u> | <u>\$ 134,549</u> | <u>\$ 138,071</u> |

8. DUE TO/FROM OTHER FUNDS

| | Due to | Due from |
|------------------|------------------|------------------|
| General Fund | \$ - | \$ 24,701 |
| Proprietary Fund | 24,701 | - |
| Total | <u>\$ 24,701</u> | <u>\$ 24,701</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

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

rate is 24.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish.

These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirement of plan members and the Town of Hornbeck are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Hornbeck contributions to the System under Plan A for the years ending June 30, 2018, 2017, and 2016, were \$58,866, \$49,602, and \$31,617, 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, 2018, the municipality reported a liability of \$502,157 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017 the municipality's proportion was .120035 %, which was an increase of .011365 % from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the municipality recognized pension expense of \$102,466. At June 30, 2018, the municipality recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 15,294 |
| Changes of assumptions | 8,396 | - |
| Net difference between projected and actual earnings on pension plan investments | 101,261 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 23,814 | 7,275 |
| Town contributions subsequent to the measurement date | 58,866 | - |
| Total | <u>\$ 192,337</u> | <u>\$ 22,569</u> |

The \$58,866 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, 2018. 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: | |
| 2018 | \$ 32,301 |
| 2019 | 52,090 |
| 2020 | 21,971 |
| 2021 | 4,540 |
| Thereafter | - |
| Total | <u>\$ 110,902</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, 2017 are as follows:

| | Plan A June 30, 2017 |
|--|------------------------------|
| Total pension liability | \$ 1,115,400,101 |
| Plan fiduciary net position | <u>697,057,939</u> |
| Employer's net pension liability | <u><u>\$ 418,342,162</u></u> |
| Plan fiduciary net position as a % of the total pension liability | 62.49% |

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, 2017 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, 2017 |
| Actuarial cost method | Entry Age Normal Cost |
| Expected remaining service lives | 3 years – Plan A |
| Investment rate of return | 7.400% |
| Inflation rate | 2.775% |
| Salary increases, including inflation and merit increases | 5.000% |
| Annuitant and beneficiary mortality | 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 | RP-2000 Employees Sex Distinct Table set back 2 years for both males and females. |
| Disabled lives mortality | RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females. |

Town of Hornbeck, Louisiana

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, 2017 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Portfolio Real Rate of Return |
|------------------------------------|-------------------------|--|
| Public equity | 50% | 2.30% |
| Public fixed income | 35% | 1.60% |
| Alternatives | 15% | 0.70% |
| Totals | 100% | 4.60% |
| Inflation | | 2.60% |
| Expected Arithmetic Nominal Return | | 7.20% |

The discount rate used to measure the total pension liability was 7.40% for the year ended June 30, 2017. 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 earning 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 2017 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 7.40%, 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 6.40%, or one percentage point higher 8.40% than the current rate as of June 30, 2017:

Notes to the Financial Statements (Continued)

| | Changes in Discount Rate: | | |
|-----------------------|---------------------------|------------|------------|
| | 1% | Current | 1% |
| | Decrease | Discount | Increase |
| | 6.40% | 7.40% | 8.40% |
| Net Pension Liability | \$ 639,915 | \$ 502,157 | \$ 384,653 |

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 \$18,500 per calendar years for 2017 and 2018, respectively. Additionally if age 50 or older an additional amount may be deferred (up to \$6,000 and \$6,000 per calendar years 2017 and 2018 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>\$ 456,813</u> |

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

| | |
|-------------------------|-------------------|
| Restricted assets: | |
| Sales tax cash account | \$ 109,216 |
| Sales tax receivable | 4,866 |
| Total restricted assets | <u>\$ 114,082</u> |

| | |
|---|-------------------|
| Liabilities payable from restricted assets: | |
| Accounts payable | <u>\$ (1,658)</u> |

| | |
|-------------------------|-------------------|
| Restricted fund balance | <u>\$ 112,424</u> |
|-------------------------|-------------------|

12. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2018.

| | <u>Proprietary Fund</u> | | |
|--|---------------------------------|------------------------------|-------------------|
| | <u>Compensated Absences</u> | <u>Pension Liability</u> | <u>Total</u> |
| Long-term obligations at beginning of year | \$ 17,318 | \$ 347,328 | \$ 364,646 |
| Additions | 10,937 | 140,186 | 151,123 |
| Reductions | <u>(7,143)</u> | <u>(86,692)</u> | <u>(93,835)</u> |
| Long-term obligations at end of year | <u>\$ 21,112</u> | <u>\$ 400,822</u> | <u>\$ 421,934</u> |
| | <u>Governmental Fund</u> | | |
| | <u>Pension Liability</u> | | |
| Long-term obligations at beginning of year | \$ 98,079 | | |
| Additions | 19,030 | | |
| Reductions | <u>(15,774)</u> | | |
| Long-term obligations at end of year | <u>\$ 101,335</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, 2018.

| | <u>Proprietary Fund</u> | | |
|-------------------|---------------------------------|------------------------------|-------------------|
| | <u>Compensated Absences</u> | <u>Pension Liability</u> | <u>Total</u> |
| Current portion | \$ - | \$ - | \$ - |
| Long-term portion | 21,112 | 400,822 | 421,934 |
| Total | <u>\$ 21,112</u> | <u>\$ 400,822</u> | <u>\$ 421,934</u> |
| | <u>Governmental Fund</u> | | |
| | <u>Pension Liability</u> | | |
| Current portion | \$ - | | |
| Long-term portion | 101,335 | | |
| Total | <u>\$ 101,335</u> | | |

13. NEGATIVE UNRESTRICTED NET POSITION

The Utility Fund had a negative unrestricted net position of \$6,778 as of June 30, 2018. This is due to the utility fund showing a net adjustment of pension liability of \$265,314 as required by "GASB" Statement No. 68. The overall net position in the utility fund was a positive \$7,994,030. 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, 2018

| | Budgeted Amounts | | Actual Amount | Budget to Actual differences over (under) |
|--|-------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes: | | | | |
| Franchise fees | \$ 20,750 | \$ 20,252 | \$ 20,403 | \$ 151 |
| Hotel/motel | 22,600 | 26,942 | 21,906 | (5,036) |
| Occupational licenses and permits | 14,700 | 16,612 | 19,577 | 2,965 |
| Fees and charges for services | 4,300 | 6,640 | 6,280 | (360) |
| Investment income | 40 | 70 | 70 | - |
| Fines and forfeitures | 4,000 | 9,068 | 8,981 | (87) |
| Rentals | 61,620 | 60,000 | 60,000 | - |
| Miscellaneous | - | 315 | 415 | 100 |
| Total revenues | <u>\$ 128,010</u> | <u>\$ 139,899</u> | <u>\$ 137,632</u> | <u>\$ (2,267)</u> |
| Expenditures | | | | |
| General government and administration | \$ 105,870 | \$ 99,795 | \$ 99,254 | \$ 541 |
| Public safety | 18,722 | 14,888 | 14,833 | 55 |
| Culture and recreation | 590 | 480 | 470 | 10 |
| Total expenditures | <u>\$ 125,182</u> | <u>\$ 115,163</u> | <u>\$ 114,557</u> | <u>\$ 606</u> |
| Net change in fund balance | \$ 2,828 | \$ 24,736 | \$ 23,075 | \$ (1,661) |
| Fund balances at beginning of year | <u>70,000</u> | <u>68,409</u> | <u>68,409</u> | <u>-</u> |
| Fund balances at end of year | <u><u>\$ 72,828</u></u> | <u><u>\$ 93,145</u></u> | <u><u>\$ 91,484</u></u> | <u><u>\$ (1,661)</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, 2018

| | Budgeted Amounts | | Actual Amount | Budget to Actual differences over (under) |
|--|--------------------------|--------------------------|--------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes: | | | | |
| Sales | \$ 65,700 | \$ 54,430 | \$ 54,281 | \$ (149) |
| Investment income | 100 | 108 | 108 | - |
| Total revenues | <u>\$ 65,800</u> | <u>\$ 54,538</u> | <u>\$ 54,389</u> | <u>\$ (149)</u> |
| Expenditures | | | | |
| General government and administration | \$ 5,550 | \$ 3,559 | \$ 3,545 | \$ 14 |
| Public works | 21,600 | 54,455 | 54,566 | (111) |
| Capital outlay | - | 9,600 | 9,600 | - |
| Total expenditures | <u>\$ 27,150</u> | <u>\$ 67,614</u> | <u>\$ 67,711</u> | <u>\$ (97)</u> |
| Excess (deficiency) of revenues over expenditures | \$ 38,650 | \$ (13,076) | \$ (13,322) | \$ (246) |
| Fund balances at beginning of year | <u>125,000</u> | <u>125,746</u> | <u>125,746</u> | <u>-</u> |
| Fund balances at end of year | <u><u>\$ 163,650</u></u> | <u><u>\$ 112,670</u></u> | <u><u>\$ 112,424</u></u> | <u><u>\$ (246)</u></u> |

Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

| Municipal Employees' Retirement System | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 |
|---|------------------|------------------|------------------|------------------|
| Town's proportion of the net pension liability (asset) | .106203% | .116024% | .108670% | .120035% |
| Town's proportionate share of the net pension liability (asset) | \$ 272,564 | \$ 414,456 | \$ 445,407 | \$ 502,157 |
| Town's covered-employee payroll | \$ 198,025 | \$ 160,086 | \$ 217,990 | \$ 237,840 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 137.64% | 258.90% | 204.32% | 211.13% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.99% | 66.18% | 62.11% | 62.49% |

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, 2018

| Municipal Employees' Retirement System | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 |
|---|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 39,110 | \$ 31,617 | \$ 49,602 | \$ 58,866 |
| Contributions in relation to the contractually required contribution | <u>39,110</u> | <u>31,617</u> | <u>49,602</u> | <u>58,866</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 198,025 | \$ 160,086 | \$ 217,990 | \$ 237,840 |
| Contributions as a percentage of covered-employee payroll | 19.75% | 19.75% | 22.75% | 24.75% |

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, 2018

| <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>3,000</u> |
| | <u>\$ 15,600</u> |

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended June 30, 2018

Agency Head Name - Clarence Beebe

| <u>Purpose</u> | <u>Amount</u> |
|--------------------------------|---------------|
| Salary | \$ 48,000 |
| Benefits - insurance | - |
| Benefits - retirement | 11,800 |
| Deferred compensation | - |
| Benefits - other | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Cell phone | 413 |
| Dues | - |
| Vehicle rental | - |
| Per diem | - |
| Reimbursements | 536 |
| Travel | 915 |
| Registration fees | - |
| Conference travel | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| Other | - |

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended June 30, 2018

Finding-Financial Statement Audit

Audit Finding No. 2017-1

Deposits 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.

Date of Initial Occurrence - June 30, 2017

Corrective Action Taken - Yes

Schedule of Current Year Audit Findings and Management's Response
Year Ended June 30, 2018

There were no prior year audit findings as of June 30, 2018.

Windham & Reed, L.L.C.

Certified Public Accountants

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

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, 2018, 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 29, 2018.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of 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.

A handwritten signature in black ink that reads "Jeff M. Windham, CPA". The signature is written in a cursive style.

DeRidder, Louisiana
November 29, 2018

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
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, 2017 through June 30, 2018. 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 – Not Applicable

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee

- 2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
Reviewed minutes and confirmed meeting held appropriately. No exceptions noted.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
Observed minutes – No exceptions noted.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.
Obtained and observed. No exceptions noted.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
No exceptions noted.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Yes – old outstanding items sent to unclaimed property July 2018.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

All collections at Town office.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select on collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Due to small staff, collections are made with shared drawers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The Town Clerk reconciles cash collections to the general ledger.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employees reconcile cash and reconciliation is confirmed by Town Clerk.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Employees reconcile cash and reconciliation is confirmed by Town Clerk.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

All employees are properly bonded per management.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Traced. No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions noted.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Employees that process payments can add or modify vendor files and no other employee reviews changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards – Not Applicable

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]]

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursements (excluding card transactions) – Not Applicable

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursement, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by and original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts – Not Applicable

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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.)

The Town maintains leave records; however, verbal approval is granted to employees who have available leave.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

See "a" above.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

See "a" above.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions noted.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics – Not Applicable

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics compliance documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service – Not Applicable

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

None – Not applicable.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Notice is posted on site and on website.

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 29, 2018