

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

JUNE 30, 2022

Table of Contents

	Statement	Page(s)
INDEPENDENT AUDITOR’S REPORT	-	1-3
BASIC FINANCIAL STATEMENTS:		
Statement of Net Position	A	5-6
Statement of Activities	B	7
Balance Sheet – Governmental Funds	C	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E	10
Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	F	11
Statement of Net Position – Proprietary Fund	G	12-13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	H	14
Statement of Cash Flows – Proprietary Fund	I	15-16
Notes to the Financial Statements	-	18-33
	Schedule	Page(s)
Required Supplemental Information		
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	1	35
Special Revenue Fund – Sales Tax – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	2	36
Schedule of the Town’s Proportionate Share of the Net Pension Liability	3	37-38
Schedule of the Town’s Pension Contributions	4	39-40
Other Supplemental Schedules		
Schedule of Compensation Paid to Board Members	5	42
Schedule of Compensation, Benefits and Other Payments to Agency Head	6	43
Balance Sheet	7	44
Schedule of Revenues, Expenditures and Changes in Fund Balances	8	45
Other Reports		
Schedule of Prior Year Audit Findings	9	47
Schedule of Current Year Audit Findings and Management’s Response	10	48
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 <i>Government Auditing Standards</i>	-	49-50
Independent Accountant’s Report on Applying Agreed-Upon Procedures	-	51-58

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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 Audit of the Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Town of Hornbeck, Louisiana as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Hornbeck, Louisiana's basic financial statements as listed in the table of contents.

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 the major funds of the Town of Hornbeck, Louisiana, as of June 30, 2022, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Hornbeck, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hornbeck, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Hornbeck, Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hornbeck, Louisiana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Town of Hornbeck, Louisiana's proportionate share of the net pension liability, and schedule of the Town of Hornbeck, Louisiana's pension contribution on pages 35 through 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 inquiries 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.

***Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, 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 solely 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 the effectiveness of the Town of Hornbeck, Louisiana's 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 Town of Hornbeck, Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana  
October 31, 2022

## BASIC FINANCIAL STATEMENTS

Statement of Net Position  
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 79,282	\$ 771,919	\$ 851,201
Receivables:			
Sales taxes - restricted	12,660	-	12,660
Franchise taxes	2,252	-	2,252
Hotel/motel tax	5,024	-	5,024
Mowing right of way	540	-	540
Occupational license	5,541	-	5,541
Rent	400	-	400
Accounts	-	72,686	72,686
Intergovernmental:			
Federal grant	11,195	80,944	92,139
Restricted assets - cash	196,244	505,287	701,531
Due from other funds	1,446	9,354	10,800
Utility deposits	-	1,200	1,200
Capital assets not being depreciated	292,170	708,627	1,000,797
Capital assets being depreciated, net	1,635,244	6,556,647	8,191,891
Total assets	<u>\$ 2,241,998</u>	<u>\$ 8,706,664</u>	<u>\$ 10,948,662</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions	<u>\$ 9,674</u>	<u>\$ 87,069</u>	<u>\$ 96,743</u>
Total assets and deferred outflows of resources	<u><u>\$ 2,251,672</u></u>	<u><u>\$ 8,793,733</u></u>	<u><u>\$ 11,045,405</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 4,362	\$ 32,832	\$ 37,194
Contracts payable	3,495	5,802	9,297
Sales taxes payable	-	1,131	1,131
Retirement payable	778	10,799	11,577
Payroll taxes payable	-	7,041	7,041
Due to other funds	8,758	2,042	10,800
Due to state	-	507	507
Long-term liabilities:			
Net pension liability	30,363	273,269	303,632
Customer deposits	-	58,464	58,464
Total liabilities	<u>\$ 47,756</u>	<u>\$ 391,887</u>	<u>\$ 439,643</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension contributions	<u>\$ 10,544</u>	<u>\$ 94,895</u>	<u>\$ 105,439</u>
Total liabilities and deferred inflows of resources	<u>\$ 58,300</u>	<u>\$ 486,782</u>	<u>\$ 545,082</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position  
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-type Activities	
NET POSITION			
Net investment in capital assets	\$ 1,923,919	\$ 7,259,472	\$ 9,183,391
Restricted for:			
Replacement and extension	-	505,287	505,287
Sales taxes	205,532	-	205,532
Unrestricted	63,921	542,192	606,113
Total net position	<u>\$ 2,193,372</u>	<u>\$ 8,306,951</u>	<u>\$ 10,500,323</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,251,672</u>	<u>\$ 8,793,733</u>	<u>\$ 11,045,405</u> (Concluded)

The accompanying notes are an integral part of this statement.

Statement of Activities  
For the Year Ended June 30, 2022

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government and administration	\$ 92,672	\$ -	\$ -	\$ -	\$ (92,672)	\$ -	\$ (92,672)
Public safety	44,718	741	-	-	(43,977)	-	(43,977)
Public works	53,356	6,100	94,878	-	47,622	-	47,622
Culture and recreation	4,238	-	-	-	(4,238)	-	(4,238)
Total governmental activities	<u>\$ 194,984</u>	<u>\$ 6,841</u>	<u>\$ 94,878</u>	<u>\$ -</u>	<u>\$ (93,265)</u>	<u>\$ -</u>	<u>\$ (93,265)</u>
Business-type activities:							
Gas, water and sewer	<u>\$ 1,096,888</u>	<u>\$ 944,815</u>	<u>\$ 1,026</u>	<u>\$ 167,852</u>	<u>\$ -</u>	<u>\$ 16,805</u>	<u>\$ 16,805</u>
Total government	<u><u>\$ 1,291,872</u></u>	<u><u>\$ 951,656</u></u>	<u><u>\$ 95,904</u></u>	<u><u>\$ 167,852</u></u>	<u><u>\$ (93,265)</u></u>	<u><u>\$ 16,805</u></u>	<u><u>\$ (76,460)</u></u>
General revenues:							
Taxes:							
Sales taxes					\$ 73,158	\$ -	\$ 73,158
Hotel/motel taxes					27,233	-	27,233
Franchise taxes					20,842	-	20,842
Occupational licenses and permits					17,475	-	17,475
Investment earnings					153	4,224	4,377
Rentals					44,800	-	44,800
Miscellaneous income					1,022	-	1,022
Insurance proceeds					-	134	134
Gain on sale of assets					3,125	7,000	10,125
Nonemployer pension contribution revenue					815	7,331	8,146
Total general revenues					<u>\$ 188,623</u>	<u>\$ 18,689</u>	<u>\$ 207,312</u>
Change in net position					\$ 95,358	\$ 35,494	\$ 130,852
Net position at beginning of year					2,098,014	8,271,457	10,369,471
Net position at end of year					<u><u>\$ 2,193,372</u></u>	<u><u>\$ 8,306,951</u></u>	<u><u>\$ 10,500,323</u></u>

The accompanying notes are an integral part of this statement.

Balance Sheet  
Governmental Funds  
June 30, 2022

	Major Fund			Total Governmental Funds
	General	Special Revenue Fund	Capital Project Fund	
		Sales Tax Fund	LCDBG Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 79,264	\$ -	\$ 18	\$ 79,282
Receivables:				
Sales taxes - restricted	-	12,660	-	12,660
Franchise taxes	2,252	-	-	2,252
Occupational license	5,541	-	-	5,541
Rent	400	-	-	400
Hotel/motel tax	5,024	-	-	5,024
Mowing right of way	540	-	-	540
Intergovernmental:				
Federal grant	-	-	11,195	11,195
Restricted cash and cash equivalents	-	196,244	-	196,244
Due from utility fund	1,446	-	-	1,446
<b>Total assets</b>	<b>\$ 94,467</b>	<b>\$ 208,904</b>	<b>\$ 11,213</b>	<b>\$ 314,584</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,048	\$ 2,314	\$ -	\$ 4,362
Contracts payable	-	-	3,495	3,495
Retirement payable	778	-	-	778
Due to utility fund	-	1,058	7,700	8,758
<b>Total liabilities</b>	<b>\$ 2,826</b>	<b>\$ 3,372</b>	<b>\$ 11,195</b>	<b>\$ 17,393</b>
Fund Balances:				
Unassigned	\$ 91,641	\$ -	\$ 18	\$ 91,659
Restricted	-	205,532	-	205,532
<b>Total fund balances</b>	<b>\$ 91,641</b>	<b>\$ 205,532</b>	<b>\$ 18</b>	<b>\$ 297,191</b>
<b>Total liabilities and fund balances</b>	<b>\$ 94,467</b>	<b>\$ 208,904</b>	<b>\$ 11,213</b>	<b>\$ 314,584</b>

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, 2022

Total fund balance - total governmental funds	\$ 297,191
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.	1,927,414
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows	9,674
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows	(10,544)
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>(30,363)</u>
Net position of governmental activities	<u>\$ 2,193,372</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, 2022

	Major Fund			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Project Fund	
	General Fund	Sales Tax Fund	LCDBG Fund	
Revenues				
Taxes:				
Sales	\$ -	\$ 73,158	\$ -	\$ 73,158
Franchise	20,842	-	-	20,842
Hotel/motel	27,233	-	-	27,233
Intergovernmental:				
Federal grants	-	-	53,135	53,135
State grants	-	41,743	-	41,743
Occupational licenses and permits	17,475	-	-	17,475
Fees and charges for services	6,100	-	-	6,100
Investment income	68	85	-	153
Fines and forfeitures	741	-	-	741
Rentals	44,800	-	-	44,800
Miscellaneous	1,022	-	-	1,022
Total revenues	<u>\$ 118,281</u>	<u>\$ 114,986</u>	<u>\$ 53,135</u>	<u>\$ 286,402</u>
Expenditures				
General government	\$ 91,417	\$ 3,328	\$ -	\$ 94,745
Public safety	27,392	-	-	27,392
Public works	-	29,304	-	29,304
Culture and recreation	1,245	-	-	1,245
Capital outlay	71,207	61,575	53,135	185,917
Total expenditures	<u>\$ 191,261</u>	<u>\$ 94,207</u>	<u>\$ 53,135</u>	<u>\$ 338,603</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (72,980)</u>	<u>\$ 20,779</u>	<u>\$ -</u>	<u>\$ (52,201)</u>
Other financing sources (uses)				
Sale of assets	<u>\$ 3,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,125</u>
Net change in fund balance	\$ (69,855)	\$ 20,779	\$ -	\$ (49,076)
Fund balances at beginning of year	<u>161,496</u>	<u>184,753</u>	<u>18</u>	<u>346,267</u>
Fund balances at end of year	<u><u>\$ 91,641</u></u>	<u><u>\$ 205,532</u></u>	<u><u>\$ 18</u></u>	<u><u>\$ 297,191</u></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, 2022

Net change in fund balances - total governmental funds	\$	(49,076)
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.		(51,813)
Pension expense is based on employer contributions in the governmental funds, but is an actuarially calculated expense on the statement of activities.		10,330
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.		<u>185,917</u>
Change in net position of governmental activities	\$	<u><u>95,358</u></u>

The accompanying notes are an integral part of this statement.

Statement of Net Position  
Proprietary Fund  
June 30, 2022

	Business-type Activities Enterprise Fund
	Water and Sewer
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 771,919
Receivables:	
Accounts	72,686
Intergovernmental:	
Federal grant	80,944
Due from other funds	9,354
Restricted cash and cash equivalents	505,287
Total current assets	\$ 1,440,190
Noncurrent Assets	
Utility deposit	\$ 1,200
Capital assets not being depreciated	708,627
Capital assets being depreciated, net	6,556,647
Total noncurrent assets	\$ 7,266,474
Total assets	\$ 8,706,664
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions	\$ 87,069
Total assets and deferred outflows of resources	\$ 8,793,733
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 32,832
Contracts payable	5,802
Sales taxes payable	1,131
Retirement payable	10,799
Payroll taxes payable	7,041
Due to general fund	2,042
Due to state	507
Total current liabilities	\$ 60,154
Noncurrent Liabilities	
Customer deposits	\$ 58,464
Net pension liability	273,269
Total noncurrent liabilities	\$ 331,733
Total liabilities	\$ 391,887
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension contributions	\$ 94,895
Total liabilities and deferred inflows of resources	\$ 486,782

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Position  
 Proprietary Fund  
 June 30, 2022

	Business-type Activities Enterprise Fund
	<u>Water and Sewer</u>
NET PENSION	
Net investment in capital assets	\$ 7,259,472
Restricted for:	
Replacement and extension	505,287
Unrestricted	<u>542,192</u>
Total net position	<u>\$ 8,306,951</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 8,793,733</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, 2022

	Business-type Activities <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
Operating revenues	
Charges for services	\$ 944,815
Operating expenses	
Personal services	\$ 247,940
Cost of gas sold	228,028
Supplies	105,496
Contractual services	206,088
Depreciation	309,336
Total operating expenses	<u>\$ 1,096,888</u>
Income (loss) from operations	<u>\$ (152,073)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 4,224
Sale of assets	7,000
Insurance proceeds	134
Nonemployer pension contribution revenue	7,331
Total nonoperating revenues (expenses)	<u>\$ 18,689</u>
Income before transfers and contributions	<u>\$ (133,384)</u>
Capital contributions	<u>\$ 168,878</u>
Change in net position	\$ 35,494
Net position at beginning of year	<u>8,271,457</u>
Net position at end of year	<u><u>\$ 8,306,951</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2022

	Business-type Activities Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 964,304
Cash payments to suppliers for goods and services	(527,886)
Cash payments to employees for services	(305,901)
Net cash provided by operating activities	\$ 130,517
Cash flows from noncapital financing activities:	
Cash paid to other funds	\$ (8,161)
Nonemployer pension contribution revenue	7,331
Insurance proceeds	134
Contribution capital received	121,988
Net cash provided by noncapital financing activities	\$ 121,292
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (109,128)
Contribution capital received	1,025
Sale of assets	7,000
Net cash used by capital financing activities	\$ (101,103)
Cash flows from investing activities:	
Interest on cash and investments	\$ 4,224
Total cash flows provided from investing activities	\$ 4,224
Net increase (decrease) in cash and cash investments	\$ 154,930
Cash and cash investments, July 1, 2021	1,122,276
Cash and cash investments, June 30, 2022	\$ 1,277,206

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2022

		<u>Business-type Activities Enterprise Funds</u>
		<u>Water and Sewer</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:		
Loss from operations	\$	(152,073)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	\$	309,336
Change in assets and liabilities:		
Decrease in accounts receivable		16,875
Increase in accounts payable		11,994
Increase in customer deposits payable		2,614
Increase in payroll taxes payable		2,693
Decrease in sales taxes payable		(268)
Increase in retirement payable		4,467
Decrease in deferred outflows		15,630
Increase in deferred inflows		47,427
Decrease in net pension liability payable		(119,187)
Decrease in salaries payable		(8,991)
Net cash provided by operating activities	\$	<u>130,517</u>
		<u>(Concluded)</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Hornbeck, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2022

**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.

Sales taxes, franchise taxes, hotel/motel 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.

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 Capital Projects Fund accounts for Louisiana Community Development Block Grant (LCDBG) grant funds that are awarded for upgrades in the Utility Fund.

The municipality reports the following major proprietary fund:

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

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 eighty 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, 2022.

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 funds had actual expenditures over budgeted appropriations for the year ended June 30, 2022.

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	\$ 93,490	\$ 189,888	\$ 191,261	\$ 1,373
Sales Tax Fund	26,334	92,578	94,207	1,629

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2022, the municipality has cash and cash equivalents (book balances) totaling \$1,552,732 as follows:

Savings	\$	5
Demand deposits		18
Time deposits		755,276
NOW accounts		797,033
Petty cash		400
Total	\$	<u>1,552,732</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, 2022, the municipality has \$1,567,989 in deposits (collected bank balances). These deposits are secured from risk by \$500,013 of federal deposit insurance and \$1,067,976 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 \$191,242 at June 30, 2022, are as follows:

Class of receivable	General Fund	Sales Tax Fund	LCDBG Fund	Proprietary Fund	Total
Taxes:					
Sales and use	\$ -	\$ 12,660	\$ -	\$ -	\$ 12,660
Franchise	2,252	-	-	-	2,252
Hotel/motel	5,024	-	-	-	5,024
Rent	400	-	-	-	400
Intergovernmental:					
Federal grant	-	-	11,195	80,944	92,139
Occupational license	5,541	-	-	-	5,541
Accounts	-	-	-	72,686	72,686
Mowing right of way	540	-	-	-	540
Total	<u>\$ 13,757</u>	<u>\$ 12,660</u>	<u>\$ 11,195</u>	<u>\$ 153,630</u>	<u>\$ 191,242</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, 2022, 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
Construction in progress	11,537	124,342	-	135,879
Total capital assets not being depreciated	<u>\$ 167,828</u>	<u>\$ 124,342</u>	<u>\$ -</u>	<u>\$ 292,170</u>
Capital assets being depreciated				
Buildings	\$ 925,528	\$ -	\$ -	\$ 925,528
Improvements other than building	1,362,009	61,575	-	1,423,584
Furniture and fixtures	19,313	-	-	19,313
Machinery and equipment	129,071	-	-	129,071
Vehicles	105,684	-	21,500	84,184
Total capital assets being depreciated	<u>\$ 2,541,605</u>	<u>\$ 61,575</u>	<u>\$ 21,500</u>	<u>\$ 2,581,680</u>
Less accumulated depreciation for:				
Buildings	\$ 236,925	\$ 18,938	\$ -	\$ 255,863
Improvements other than building	443,590	27,594	-	471,184
Furniture and fixtures	17,859	1,109	-	18,968
Machinery and equipment	116,955	2,279	-	119,234
Vehicles	100,794	1,893	21,500	81,187
Total accumulated depreciation	<u>\$ 916,123</u>	<u>\$ 51,813</u>	<u>\$ 21,500</u>	<u>\$ 946,436</u>
Total capital assets being depreciated, net	<u>\$ 1,625,482</u>	<u>\$ 9,762</u>	<u>\$ -</u>	<u>\$ 1,635,244</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	495,623	45,643	-	541,266
Total capital assets not being depreciated	<u>\$ 662,984</u>	<u>\$ 45,643</u>	<u>\$ -</u>	<u>\$ 708,627</u>
Capital assets being depreciated				
Vehicles	\$ 232,176	\$ -	\$ 38,447	\$ 193,729
Buildings	2,310,558	-	-	2,310,558
Machinery and equipment	457,812	-	-	457,812
Distribution system	9,038,309	14,990	-	9,053,299
Total capital assets being depreciated	<u>\$ 12,038,855</u>	<u>\$ 14,990</u>	<u>\$ 38,447</u>	<u>\$ 12,015,398</u>
Less accumulated depreciation for:				
Vehicles	\$ 104,856	\$ 26,805	\$ 38,447	\$ 93,214
Buildings	1,030,111	35,759	-	1,065,870
Machinery and equipment	371,620	21,569	-	393,189
Distribution system	3,681,275	225,203	-	3,906,478
Total accumulated depreciation	<u>\$ 5,187,862</u>	<u>\$ 309,336</u>	<u>\$ 38,447</u>	<u>\$ 5,458,751</u>
Total business-type assets being depreciated, net	<u>\$ 6,850,993</u>	<u>\$ (294,346)</u>	<u>\$ -</u>	<u>\$ 6,556,647</u>

Depreciation expense of \$51,813 for the year ended June 30, 2022, was charged to the following governmental functions:

Public safety	\$ 17,326
Public works	24,052
Culture and recreation	2,993
General administration	7,442
Total	<u>\$ 51,813</u>

**6. CONSTRUCTION COMMITMENTS**

The municipality had active construction projects as of June 30, 2022. The Town of Hornbeck had one waterline replacement project, building of a concession stand at the ball park, expansion of the water system on the west side, and a sewer improvement 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	\$ 87,626
Concession Stand Project	82,744	30,000
Westside Water System Expansion	487,453	212,547
Sewer Improvements	104,575	925,425

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

**7. ACCOUNTS AND OTHER PAYABLES**

The payables of \$125,211 at June 30, 2022, are as follows:

	General Fund	Sales Tax Fund	LCDBG Fund	Proprietary Fund	Total
Accounts	\$ 2,048	\$ 2,314	\$ -	\$ 32,832	\$ 37,194
Contracts	-	-	3,495	5,802	9,297
Sales taxes	-	-	-	1,131	1,131
Payroll taxes	-	-	-	7,041	7,041
Retirement	778	-	-	10,799	11,577
Customer deposits	-	-	-	58,464	58,464
State of Louisiana	-	-	-	507	507
Total accounts and other payables	<u>\$ 2,826</u>	<u>\$ 2,314</u>	<u>\$ 3,495</u>	<u>\$ 116,576</u>	<u>\$ 125,211</u>

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

	General Fund	Sales Tax Fund	LCDBG Fund	Proprietary Fund	Total
Due to	\$ -	\$ 1,058	\$ 7,700	\$ 2,042	\$ 10,800
Due from	<u>1,446</u>	<u>-</u>	<u>-</u>	<u>9,354</u>	<u>10,800</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.

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Funding Policy. Under Plan A, members are required by state statute to contribute 10.00 percent of their annual covered salary and the Town of Hornbeck is required to contribute at an actuarially determined rate. The current rate is 29.50 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, 2022, 2021, and 2020, were \$67,183, \$63,766, and \$53,431, 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, 2022, the municipality reported a liability of \$303,632 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021 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, 2021 the municipality's proportion was .109161%, which was an increase of .007167% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the municipality recognized pension expense of \$34,771, less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$26,020. At June 30, 2022, the municipality recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109	\$ 3,473
Changes of assumptions	11,095	-
Net difference between projected and actual earnings on pension plan investments	-	85,548
Changes in proportion and differences between Town contributions and proportionate share of contributions	18,356	521
Differences between employer and proportionate share of contributions	-	15,897
Town contributions subsequent to the measurement date	67,183	-
Total	<u>\$ 96,743</u>	<u>\$ 105,439</u>

The \$67,183 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Year ended June 30:	
2023	\$ 18,180
2024	6,684
2025	22,055
2026	28,960
Thereafter	-
Total	<u><u>\$ 75,879</u></u>

*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 Town of Hornbeck, Louisiana for Plan A are as follows:

	<u>Plan A</u> <u>June 30, 2021</u>
Total pension liability	\$ 1,368,754
Less: Plan fiduciary net position	<u>(1,065,122)</u>
Town's net pension liability	<u><u>\$ 303,632</u></u>
 Plan fiduciary net position as a % of the total pension liability	  77.82%

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, 2021 valuation was based on the results of an experience study, for the period of July 1, 2013 through June 30, 2018.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Expected remaining service lives	3 years
Investment rate of return	6.85%, net of pension plan investment expense, including inflation.
Inflation rate	2.50%
Salary increases, including inflation and merit increases:	
- 1 to 4 years of service	6.40%
- More than 4 years of service	4.50%

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

*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.

The target allocation and 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, 2021 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	53.00%	2.31%
Public fixed income	38.00%	1.65%
Alternatives	9.00%	0.39%
Totals	100.00%	4.35%
Inflation		2.60%
Expected Arithmetic Nominal Return		6.95%

The discount rate used to measure the total pension liability was 6.85% for the year ended June 30, 2021. 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.

*Sensitivity to Changes in Discount Rate*

The following presents the net pension liability of the Town of Hornbeck, Louisiana calculated using the discount rate of 6.85%, 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 5.85%, or one percentage point higher 7.85% than the current discount rate (assuming all other assumptions remain unchanged):

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

	Changes in Discount Rate:		
	1.00% Decrease 5.85%	Current Discount Rate 6.85%	1.00% Increase 7.85%
Net Pension Liability	\$ 449,694	\$ 303,632	\$ 180,262

*Payables to the Pension Plan*

These financial statements include a payable to the pension plan of \$11,577, which is the legally required contribution due at June 30, 2022. This amount is recorded in accrued expenses.

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.

**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 \$19,500 and \$20,500 per calendar years for 2021 and 2022, respectively. Additionally if age 50 or older an additional amount may be deferred (up to \$6,500 and \$6,500 per calendar years 2021 and 2022 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:

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Continued)

- 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.

**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>\$ 505,287</u>

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

Restricted assets:	
Sales tax cash account	\$ 196,244
Sales tax receivable	12,660
Total restricted assets	<u>\$ 208,904</u>
Liabilities payable from restricted assets:	
Accounts payable	\$ 2,314
Due to utility fund	1,058
Total liabilities payable from restricted assets	<u>\$ 3,372</u>
Restricted fund balance	<u>\$ 205,532</u>

**12. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2022.

	<u>Proprietary Fund</u>
	Pension
	<u>Liability</u>
Long-term obligations	
at beginning of year	\$ 392,456
Additions	-
Reductions	<u>(119,187)</u>
Long-term obligations	
at end of year	<u>\$ 273,269</u>

Town of Hornbeck, Louisiana

Notes to the Financial Statements (Concluded)

	<u>Governmental Fund</u> Pension <u>Liability</u>
Long-term obligations at beginning of year	\$ 48,506
Additions	-
Reductions	<u>(18,143)</u>
Long-term obligations at end of year	<u>\$ 30,363</u>

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, 2022.

	<u>Proprietary Fund</u> Pension <u>Liability</u>
Current portion	\$ -
Long-term portion	<u>273,269</u>
Total	<u>\$ 273,269</u>

	<u>Governmental Fund</u> Pension <u>Liability</u>
Current portion	\$ -
Long-term portion	<u>30,363</u>
Total	<u>\$ 30,363</u>

REQUIRED SUPPLEMENTAL INFORMATION

General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Franchise fees	\$ 21,000	\$ 20,557	\$ 20,842	\$ 285
Hotel/motel	23,000	27,544	27,233	(311)
Occupational licenses and permits	13,000	20,782	17,475	(3,307)
Fees and charges for services	6,460	8,250	6,100	(2,150)
Investment income	120	68	68	-
Fines and forfeitures	-	741	741	-
Rentals	44,800	44,800	44,800	-
Miscellaneous	-	1,022	1,022	-
Total revenues	<u>\$ 108,380</u>	<u>\$ 123,764</u>	<u>\$ 118,281</u>	<u>\$ (5,483)</u>
Expenditures				
General government and administration	\$ 76,780	\$ 91,187	\$ 91,417	\$ (230)
Public safety	15,460	26,676	27,392	(716)
Culture and recreation	1,250	1,245	1,245	-
Capital outlay	-	70,780	71,207	(427)
Total expenditures	<u>\$ 93,490</u>	<u>\$ 189,888</u>	<u>\$ 191,261</u>	<u>\$ (1,373)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 14,890</u>	<u>\$ (66,124)</u>	<u>\$ (72,980)</u>	<u>\$ (6,856)</u>
Other financing sources (uses):				
Sale of assets	\$ -	\$ 3,125	\$ 3,125	\$ -
Net change in fund balance	\$ 14,890	\$ (62,999)	\$ (69,855)	\$ (6,856)
Fund balances at beginning of year	<u>160,000</u>	<u>161,496</u>	<u>161,496</u>	<u>-</u>
Fund balances at end of year	<u>\$ 174,890</u>	<u>\$ 98,497</u>	<u>\$ 91,641</u>	<u>\$ (6,856)</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, 2022

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 71,291	\$ 73,902	\$ 73,158	\$ (744)
Intergovernmental:				
State grants	-	41,743	41,743	-
Investment income	119	85	85	-
Total revenues	<u>\$ 71,410</u>	<u>\$ 115,730</u>	<u>\$ 114,986</u>	<u>\$ (744)</u>
Expenditures				
General government and administration	\$ 3,184	\$ 3,336	\$ 3,328	\$ 8
Public works	23,150	27,667	29,304	(1,637)
Capital outlay	-	61,575	61,575	-
Total expenditures	<u>\$ 26,334</u>	<u>\$ 92,578</u>	<u>\$ 94,207</u>	<u>\$ (1,629)</u>
Excess (deficiency) of revenues over expenditures	\$ 45,076	\$ 23,152	\$ 20,779	\$ (2,373)
Fund balances at beginning of year	<u>180,000</u>	<u>184,753</u>	<u>184,753</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 225,076</u></u>	<u><u>\$ 207,905</u></u>	<u><u>\$ 205,532</u></u>	<u><u>\$ (2,373)</u></u>

Schedule of the Town's Proportionate Share of the Net Pension Liability  
For the Year Ended June 30, 2022

Municipal Employees' Retirement System	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Town's proportion of the net pension liability (asset)	.106203%	.116024%	.108670%	.120035%	.130273%
Town's proportionate share of the net pension liability (asset)	\$ 272,564	\$ 414,456	\$ 445,407	\$ 502,157	\$ 539,419
Town's covered-employee payroll	\$ 198,025	\$ 160,086	\$ 217,990	\$ 237,840	\$ 211,684
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%	254.82%
Plan fiduciary net position as a percentage of the total pension liability	73.99%	66.18%	62.11%	62.49%	63.94%

(Continued)

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 Proportionate Share of the Net Pension Liability  
For the Year Ended June 30, 2022

Municipal Employees' Retirement System	June 30, 2020	June 30, 2021	June 30, 2022
Town's proportion of the net pension liability (asset)	.114350%	.101994%	.109161%
Town's proportionate share of the net pension liability (asset)	\$ 477,830	\$ 440,962	\$ 303,632
Town's covered-employee payroll	\$ 192,544	\$ 216,156	\$ 227,739
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.16%	204.00%	133.32%
Plan fiduciary net position as a percentage of the total pension liability	64.67%	64.52%	77.82%

(Concluded)

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, 2022

Municipal Employees' Retirement System	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Contractually required contribution	\$ 39,110	\$ 31,617	\$ 49,602	\$ 58,866	\$ 55,038
Contributions in relation to the contractually required contribution	<u>39,110</u>	<u>31,617</u>	<u>49,602</u>	<u>58,866</u>	<u>55,038</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Town's covered-employee payroll	\$ 198,025	\$ 160,086	\$ 217,990	\$ 237,840	\$ 211,684
Contributions as a percentage of covered-employee payroll	19.75%	19.75%	22.75%	24.75%	26.00%

(Continued)

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, 2022

Municipal Employees' Retirement System	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Contractually required contribution	\$ 53,431	\$ 63,766	\$ 67,183
Contributions in relation to the contractually required contribution	<u>53,431</u>	<u>63,766</u>	<u>67,183</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 192,544	\$ 216,156	\$ 227,739
Contributions as a percentage of covered-employee payroll	27.75%	29.50%	29.50%

(Concluded)

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, 2022

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

Schedule of Compensation, Benefits and  
Other Payments to Agency Head  
For the Year Ended June 30, 2022

Agency Head Name - Clarence Beebe

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 24,000
Benefits - insurance	348
Benefits - retirement	7,080
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	544
Dues	-
Vehicle rental	-
Per diem	232
Reimbursements	-
Travel	452
Registration fees	135
Conference travel	405
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

Balance Sheet  
 For the Year Ended June 30, 2022

	<u>Capital Project Fund LCDBG Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18
Grant receivable	11,195
Total assets	<u>\$ 11,213</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Contracts payable	\$ 3,495
Due to utility fund	7,700
Total liabilities	<u>\$ 11,195</u>
Fund Balances:	
Restricted	\$ -
Unrestricted	18
Total fund balances	<u>\$ 18</u>
Total liabilities and fund balances	<u>\$ 11,213</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2022

	Capital Project Fund LCDBG Fund
Revenues	
Intergovernmental	
Federal grant	\$ 53,135
Expenditures	
Engineering	\$ 45,435
Testing fees	2,700
Land	5,000
Total expenditures	\$ 53,135
Net change in fund balances	\$ -
Fund balances at beginning of year	18
Fund balances at end of year	\$ 18

## OTHER REPORTS

Schedule of Prior Year Audit Findings  
Year Ended June 30, 2022

There were no prior year audit findings as of June 30, 2021.

Schedule of Current Year Audit Findings and Management's Response  
Year Ended June 30, 2022

There were no current year audit findings as of June 30, 2022.

# 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, 2022, 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 October 31, 2022.

### **Report on 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, or significant deficiencies, may exist that have not been identified.

### **Report on 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 "John A. Windham, CPA". The signature is written in a cursive style.

DeRidder, Louisiana  
October 31, 2022

# 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 the 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, 2021 through June 30, 2022. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe whether 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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
  - 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 (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to 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.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*Written policies and procedures obtained and address the functions listed.*

#### **Board or Finance Committee**

---

- 2. Obtain and inspect the board/finance 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.  
*No exceptions noted.*
  - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds<sup>7</sup>.  
*Alternately, for those entities reporting on the nonprofit 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.*  
*Minutes do not reference or include monthly budget to actual comparisons.*
  - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.  
*Not applicable.*

#### **Bank Reconciliations**

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- 3. Obtain a listing of entity 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 each selected 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 or 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 it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.  
*No exceptions noted.*

***Collections (excluding electronic funds transfers)***

---

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).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one 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 responsible for cash collections do not share cash drawers/registers.
  - 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.
  - 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.
  - 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/official verifies the reconciliation.  
*No exceptions noted to the listed procedures.*
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.  
*No exceptions noted.*
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). *Alternately, 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.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.

- d) Observe 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 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

*Examined two random deposit dates for each account, no exceptions noted.*

**Non-Payroll Disbursements (excluding 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).
- 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.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - 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.
  - 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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

*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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) Observe whether 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**

- 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 whether 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) were reviewed and approved, in writing (or electronically approved), 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 late fees were not assessed on the selected statements.

*No exceptions noted.*

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 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

*No exceptions noted.*

#### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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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 reimbursements, 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, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe 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 each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

#### ***Contracts***

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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. *Alternately, 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 whether 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 whether 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 the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

- 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 the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions noted.*

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

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- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or 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 or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
  - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*No exceptions noted.*

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

*Not applicable.*

- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*No exceptions noted.*

### ***Ethics***

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- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
  - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

*No exceptions noted.*

***Debt Service – Not Applicable***

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21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

***Fraud Notice***

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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.

*Not applicable.*

24. Observe 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.

*No exceptions noted.*

***Information Technology Disaster Recovery/Business Continuity***

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25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
  - a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
  - b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*No exceptions noted.*

***Sexual Harassment***

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26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

*No exceptions noted.*

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

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

*No exceptions noted.*

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;
  - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e) Amount of time it took to resolve each complaint.

*Annual sexual harassment report not prepared at year end.*

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  
October 31, 2022