

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Homer
Homer, Louisiana

October 22, 2003



Legislative Auditor

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Grover C. Austin, CPA

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TOWN OF HOMER

Homer, Louisiana

Primary Government Financial Statements
and Independent Auditor's Reports
As of and for the Nine Months Ended March 31, 2003
With Supplemental Information Schedules

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the Claiborne Parish Clerk of Court.

October 22, 2003

TOWN OF HOMER
Homer, Louisiana

Primary Government Financial Statements
and Independent Auditor's Reports
As of and for the Nine Months Ended March 31, 2003
With Supplemental Information Schedules

CONTENTS

	Statement	Page No.
Independent Auditor's Report		4
Primary Government Financial Statements:		
Balance Sheet - All Fund Types and Account Groups	A	7
Governmental Funds:		
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	11
Proprietary Fund - Utilities and Sanitation Fund:		
Statement of Revenues, Expenses, and Changes in Retained Earnings	C	12
Statement of Cash Flows	D	13
Notes to the Financial Statements		14
	Schedule	Page No.
Supplemental Information Schedules:		
General Fund:		
Schedule of Revenues, Expenditures, and Other Financing Sources, by Source	1	35
Special Revenue Funds:		
Combining Balance Sheet	2	40
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	3	42

CONTENTS (CONTINUED)

	Schedule	Page No.
Supplemental Information Schedules: (Continued)		
Capital Projects Funds:		
Combining Balance Sheet	4	45
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	5	47
Proprietary Fund:		
Schedule of Revenues, Expenses, and Changes in Retained Earnings	6	50
Schedule of Operating Expenses, by Departments	7	51
General Fixed Assets Account Group:		
Schedule of General Fixed Assets	8	53
General Long-Term Debt Account Group:		
Schedule of General Long-Term Debt	9	55
Schedule of Compensation Paid Board Members	10	56
	Exhibit	
Report on Compliance and on Internal Control Over Financial Reporting Based Solely on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A	
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	B	

CONTENTS (CONCLUDED)

	Appendix
Schedule of Expenditures of Federal Awards	A
Summary of Auditor's Results	B
Financial Statement Findings	C
Federal Award Findings	D
Schedule of Prior Audit Findings	E
Management Letter	F
	Attachment
Management's Corrective Action Plans and Responses to the Findings and Recommendations	I
Former Mayor's Response	II



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August 29, 2003,
Except for Financial Statement Finding 2003-17
in Appendix C, as to which the date is
October 17, 2003.

Independent Auditor's Report

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**
Homer, Louisiana

We have audited the accompanying primary government financial statements of the Town of Homer (town), as of and for the nine months ended March 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Appendix C of this report, the Utilities and Sanitation Fund accounts receivable balance in the general ledger is not reconciled with the detailed accounts receivable customer listing. At March 31, 2003, the general ledger balance totaled \$293,186, and the detailed accounts receivable customer listing totaled \$484,617, a difference of \$191,431. We were unable to determine the accounts receivable balance and related allowance for uncollectible accounts because of the inadequate accounting records.

As explained in Appendix C of this report, the listing of general fixed assets equipment, stated at \$1,316,293, at March 31, 2003, is not current or complete. We were unable to determine the equipment balance because of the inadequate accounting records.

As disclosed in note 1(E) to the financial statements, the accompanying primary government financial statements do not include comparative budget and actual statements which is a departure from accounting principles generally accepted in the United States of America.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate

LEGISLATIVE AUDITOR

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**
Homer, Louisiana
Audit Report, March 31, 2003

entities are referred to as component units. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the accounts receivable, allowance for uncollectible accounts, and equipment balances as discussed in paragraphs three and four, and except for the effects of not presenting the comparative budget and actual statements as discussed in the preceding paragraph, the primary government financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the primary government of Town of Homer, as of March 31, 2003, and the results of its operations and the cash flows of its proprietary fund type for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of the Homer Memorial Hospital, a component unit of the Town of Homer, do not purport to, and do not, present fairly the financial position of the Town of Homer, as of March 31, 2003, and the results of its operations and the cash flows of its proprietary fund type for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying primary government financial statements are as of and for the nine months ended March 31, 2003 (interim period). The town's prior audited financial statements were for a full year as of June 30, 2002, and for the year then ended (twelve-month period).

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003, on our consideration of the Town of Homer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Town of Homer. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

LEGISLATIVE AUDITOR

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**

Homer, Louisiana

Audit Report, March 31, 2003

The accompanying financial information listed as Supplemental Information Schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Homer. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the accounts receivable and equipment balances as discussed in paragraphs three and four, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

ESS:GLM:GCA:ss

[HOMER03]

TOWN OF HOMER
Homer, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, March 31, 2003

	GOVERNMENTAL FUND TYPES			PROPRIETARY
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	FUND TYPE - ENTERPRISE
ASSETS AND OTHER DEBITS				
Assets:				
Cash (overdraft) (note 4)	\$140,808	\$463,297	\$23,464	(\$230,629)
Investments (note 5)		102,007		
Receivables: (note 6)				
Accounts (net of allowance for uncollectible accounts)				194,324
Ad valorem taxes	5,630			
Grant			51,899	
Interest				379
Due from other funds (note 7)	5,272	7,000		13,966
Meter deposits	2,130	250		
Restricted assets (note 4 and note 16) - cash and cash equivalents				400,537
Land (note 8)				
Buildings (note 8)				
Improvements other than buildings (note 8)				
Airport (note 8)				
Equipment (note 8)				
Enterprise Fund property, plant, and equipment (note 8)				11,091,310
Accumulated depreciation (note 8)				(4,818,523)
Assets under capital lease (note 13)				
Construction in progress (note 8)				104,301
Other debits - amounts to be provided for retirement of general long-term lease obligation (note 13)				
TOTAL ASSETS AND OTHER DEBITS	\$153,840	\$572,554	\$75,363	\$6,755,665

(Continued)

The accompanying notes are an integral part of this statement.

Statement A

FIDUCIARY FUND TYPE - AGENCY	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
\$492			\$397,432
			102,007
			194,324
			5,630
			51,899
			379
			26,238
			2,380
			400,537
	\$87,743		87,743
	1,125,071		1,125,071
	4,683,213		4,683,213
	464,188		464,188
	1,316,293		1,316,293
			11,091,310
			(4,818,523)
	59,544		59,544
	19,900		124,201
		\$56,228	56,228
\$492	\$7,755,952	\$56,228	\$15,370,094

TOWN OF HOMER
Homer, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS
Balance Sheet, March 31, 2003

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE - ENTERPRISE
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable (note 10)	\$24,687	\$32,128	\$58,389	\$50,595
Payroll liabilities payable (note 10)	66,059			8,713
Due to other funds (note 7)	20,966	5,272		
Deferred revenue (note 12)			12,939	
Payable from restricted assets:				
Revenue bonds payable - current (note 14)				38,640
Accrued interest				32,250
Customer utility deposits				84,660
Obligations under capital lease (note 13)				
Revenue bonds payable - long-term (note 14)				2,670,216
Tax protest funds				
Total Liabilities	<u>111,712</u>	<u>37,400</u>	<u>71,328</u>	<u>2,885,074</u>
Equity:				
Investment in general fixed assets (note 8)				
Contributed capital (net of accumulated amortization) (note 15)				3,768,121
Retained earnings:				
Reserved for:				
Revenue bond retirement (note 17)				127,776
Bond depreciation and contingency (note 17)				209,284
Unreserved (deficit) (note 2)				(234,590)
Fund balances:				
Unreserved:				
Designated (note 17)	36,687			
Undesignated	5,441	535,154	4,035	
Total Equity	<u>42,128</u>	<u>535,154</u>	<u>4,035</u>	<u>3,870,591</u>
TOTAL LIABILITIES AND EQUITY	<u>\$153,840</u>	<u>\$572,554</u>	<u>\$75,363</u>	<u>\$6,755,665</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement A

FIDUCIARY FUND TYPE - AGENCY	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
			\$165,799
			74,772
			26,238
			12,939
			38,640
			32,250
			84,660
		\$56,228	56,228
			2,670,216
\$492			492
492	NONE	56,228	3,162,234
	\$7,755,952		7,755,952
			3,768,121
			127,776
			209,284
			(234,590)
			36,687
			544,630
NONE	7,755,952	NONE	12,207,860
\$492	\$7,755,952	\$56,228	\$15,370,094

TOWN OF HOMER
Homer, Louisiana
GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Nine Months Ended March 31, 2003

	GOVERNMENTAL FUNDS				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
REVENUES					
Taxes	\$370,984	\$403,014			\$773,998
Licenses and permits	195,693				195,693
Intergovernmental	7,802			\$476,293	484,095
On-behalf payments by state	24,300				24,300
Fines and forfeitures	17,442				17,442
Interest	1,151	1,265	\$80	8	2,504
Miscellaneous	50,028	24,449			74,477
Total revenues	<u>667,400</u>	<u>428,728</u>	<u>80</u>	<u>476,301</u>	<u>1,572,509</u>
EXPENDITURES					
General government	343,522	12,826			356,348
Public safety	325,850	88,291			414,141
Highways and streets	97,441	119,954			217,395
Parks and recreation		42,891			42,891
Public works	7,541				7,541
Industrial development		6,065			6,065
Capital outlay	13,859			471,921	485,780
Debt service			10,700		10,700
Total expenditures	<u>788,213</u>	<u>270,027</u>	<u>10,700</u>	<u>471,921</u>	<u>1,540,861</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	<u>(120,813)</u>	<u>158,701</u>	<u>(10,620)</u>	<u>4,380</u>	<u>31,648</u>
OTHER FINANCING SOURCES					
Operating transfers in	46,802	34,036		19,500	100,338
Operating transfers out	(37,000)	(67,302)	(13,536)		(117,838)
Sales of fixed assets	60,013				60,013
Capital lease	59,544				59,544
Total other sources (uses)	<u>129,359</u>	<u>(33,266)</u>	<u>(13,536)</u>	<u>19,500</u>	<u>102,057</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES					
	<u>8,546</u>	<u>125,435</u>	<u>(24,156)</u>	<u>23,880</u>	<u>133,705</u>
FUND BALANCE AT BEGINNING OF YEAR					
	<u>33,582</u>	<u>409,719</u>	<u>24,156</u>	<u>(19,845)</u>	<u>447,612</u>
FUND BALANCE AT END OF YEAR					
	<u>\$42,128</u>	<u>\$535,154</u>	<u>NONE</u>	<u>\$4,035</u>	<u>\$581,317</u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER
Homer, Louisiana
PROPRIETARY FUND - UTILITIES AND SANITATION FUND

Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Nine Months Ended March 31, 2003

OPERATING REVENUES	
Charges for services	<u>\$792,198</u>
OPERATING EXPENSES	
Depreciation	178,444
Cost of services	<u>811,565</u>
Total operating expenses	<u>990,009</u>
OPERATING LOSS	<u>(197,811)</u>
NONOPERATING REVENUES (Expenses)	
Investment income	3,058
Interest expense	<u>(113,382)</u>
Total nonoperating revenues (expenses)	<u>(110,324)</u>
LOSS BEFORE OPERATING TRANSFERS	(308,135)
OPERATING TRANSFERS	
Transfers in	<u>17,500</u>
NET LOSS	(290,635)
RETAINED EARNINGS AT BEGINNING OF YEAR	323,212
AMORTIZATION OF CONTRIBUTED CAPITAL	<u>69,893</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$102,470</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER
Homer, Louisiana
PROPRIETARY FUND - UTILITIES AND SANITATION FUND

Statement of Cash Flows
For the Nine Months Ended March 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	(\$197,811)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$178,444
(Increase) in receivables	(38,503)
Increase (decrease) in:	
Accounts payable	10,572
Accrued liabilities	<u>(27,463)</u>
Total adjustments	123,050
Net cash used by operating activities	<u>(74,761)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>17,500</u>
CASH FLOWS (Uses) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(351,196)
Principal paid on revenue bonds	(24,589)
Proceeds from federal grants	331,197
Interest paid on revenue bonds	<u>(113,382)</u>
Net cash used for capital and related financing activities	<u>(157,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on interest-bearing deposits	<u>3,058</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(212,173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>382,081</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$169,908</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER
Homer, Louisiana

Notes to the Financial Statements
As of and for the Nine Months Ended March 31, 2003

INTRODUCTION

The Town of Homer (the town) was incorporated March 13, 1850, and granted a special charter under the provisions of Act No. 36 of the Louisiana Legislature. The town is located in the parish of Claiborne and has a population of 4,228. The town operates under a Board of Selectmen - Mayor form of government and, as permitted under the act, provides police protection; roads, streets, and sidewalks; sponsorship of federal and state supported programs; water and sewer utilities; and other necessary public services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town of Homer is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government (Town of Homer), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Homer for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the town does not appoint a voting majority but are fiscally dependent on the town.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the town has determined that Homer Memorial Hospital is a component unit and part of the reporting entity. However, the town has chosen to issue financial statements of the primary government (Town of Homer) only; therefore, Homer Memorial Hospital is not included in the accompanying financial statements.

GASB Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (Town of Homer) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government (Town of Homer).

The town's officials are also responsible for appointing the members of the board of the Housing Authority of the Town of Homer. This agency is considered to be a related organization since the town appoints the separate governing board but is not financially accountable for the organization. The financial statements for the Housing Authority of the Town of Homer are not included in the accompanying financial statements.

C. FUND ACCOUNTING

The accounts of the town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Funds

Governmental funds are used to account for all or most of the government's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

1. General Fund - The General Fund is the general operating fund of the town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

2. Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
3. Debt Service Funds - The debt service funds are used to account for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term debt account group.
4. Capital Projects Funds - The capital projects funds are used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Fund

The proprietary fund accounts for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from a governmental fund in that its focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The proprietary fund of the town is the Utilities and Sanitation Fund (an enterprise fund), which accounts for the operations of the waterworks system, sewerage system, and garbage collection. The intent of the town for these facilities is that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Activities accounted for in the town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

Fiduciary Fund

The fiduciary fund accounts for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the municipality. The fiduciary fund of the town is the Tax Protest Fund (an agency fund), which accounts for assets that the town holds on behalf of others as their agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the funds on the balance sheet with long-term

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

assets and liabilities reported in the account groups. Operating statements of these funds present increases (revenues and other financial sources) and decreases (expenditures and other uses) in net current assets.

Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues from property taxes, net of estimated uncollectible amounts, are recognized in the period for which the taxes are levied. Sales tax revenues are recognized in the same period that the exchange transaction on which the tax is imposed occurs. Franchise tax, licenses and permits, fines and forfeits, and other miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Charges for services are recorded when earned since they are measurable and available. Revenues from state and federal grants are recognized when the reimbursable expenditures have been incurred. Expenditures are recognized in the accounting period in which the liability is incurred, except for principal and interest payments for general long-term obligations which are recognized when due.

The Utilities and Sanitation Fund (proprietary fund) is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. The operating statement for the proprietary fund presents increases (revenues) and decreases (expenses) in net total assets.

The Utilities and Sanitation Fund is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

E. BUDGET PRACTICES

The town's budget practices are as follows:

1. The town clerk prepares a proposed budget and submits same to the Mayor and Board of Selectmen no later than 15 days prior to the beginning of each fiscal year.
2. The public is 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 publication of the call for the hearing.
4. After the holding of public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

5. The budgets for the General, Special Revenue, and Debt Service funds are prepared on a cash basis that is not consistent with generally accepted accounting principles. Because the town did not prepare timely financial statements, the budgets were not used by management for comparison to actual results. Also, the budgets were not amended during the nine months ended March 31, 2003.
6. Appropriations (unexpended budget balances) lapse at fiscal year-end (June 30).

Although the town legally adopted budgets for the General, Special Revenue, and Debt Service funds for the year ending June 30, 2003, the financial statements do not include comparative budget and actual statements which is a departure from accounting principles generally accepted in the United States of America.

F. ENCUMBRANCES

The town does not use encumbrance accounting.

G. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the proprietary fund (Utilities and Sanitation Fund) considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

H. INVESTMENTS

Investments in the Louisiana Asset Management Pool includes only securities and other obligations in which the town is authorized to invest in and are stated at fair value based on quoted market rates.

I. RECEIVABLES

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water sales, sewer system fees, and sanitation services are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivables. Estimated uncollectible amounts for property taxes are recorded as a reduction of current revenues.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

J. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

K. RESTRICTED ASSETS

Certain resources (cash) in the Utilities and Sanitation Fund (proprietary fund) is set aside for the repayment of water and sewer revenue bonds and is classified as restricted assets on the balance sheet because its use is limited by applicable bond covenants (sinking fund requirements, reserve requirements, and depreciation and contingency requirements). Also, restricted assets include cash set aside for the refunding of customers' meter deposits.

L. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost. Donated assets are recorded at their fair market value at the date of donation.

Fixed assets used in the Utilities and Sanitation Fund operations are included on the balance sheet net of accumulated depreciation. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation of all exhaustible fixed assets used by the Utilities and Sanitation Fund operations is charged as an expense against operations. Depreciation is computed using the straight-line method based on estimated useful lives of the assets as follows:

Buildings	40 years
Generating equipment	40 years
Transmission and distribution	25 years
Fence	10 years
Water wells	40 years
Water tanks and reservoirs	40 years
Water line distribution system	40 years
Water meters	40 years
Water treatment plant filter system	40 years
Sewer system	40 years
Auto and trucks	5-10 years
Equipment	5-10 years
Office equipment	10 years

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

Contributed capital is recorded in the Utilities and Sanitation Fund to account for contributions of capital assets from other governments and agencies and to recognize grants and other contributed funds dedicated and restricted to the acquisition or construction of capital assets.

M. COMPENSATED ABSENCES

Employees of the town earn vacation leave depending upon their length of service. Employees may not accumulate and carry forward days of vacation leave beyond the end of each calendar year except in cases of emergency. Therefore, all vacation leave is expected to be liquidated with expendable financial resources and is considered short-term and is recognized as a liability in the general fund and enterprise fund, as appropriate.

The town has no policy for the payment of compensatory leave and no accrual is made for accumulated compensatory leave in the accompanying financial statements. Also, no accrual is made for accumulated sick leave in the accompanying financial statements.

N. DEFERRED REVENUE

Grant revenues received by the town in advance of the work performed are susceptible to deferral, as grant revenues are earned when qualifying expenditures are incurred.

O. LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

P. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

Q. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

R. SALES TAXES

Under the provisions of the sales and use tax ordinance effective October 1, 1971, one per cent sales and use tax collected may be used for the following purposes:

- a. Opening, constructing, paving, resurfacing, improving and/or maintaining streets, alleys, sidewalks and bridges;
- b. Constructing, acquiring, extending, improving, renovating and/or maintaining street lighting facilities, waterworks, sewers and sewerage disposal works, garbage collection and waste disposal facilities, police department stations and equipment, public buildings and/or fire department stations and equipment, including fire engines, public parks and recreation facilities, and industrial development facilities;
- c. Purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public, or for any one or more said purposes; and
- d. Provided that a minimum of 20% of the net revenues received from this tax shall be dedicated and used for industrial development facilities.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

Under the provisions of the sales and use tax ordinance effective January 1, 1986, one percent sales and use tax collected may be used for the following purposes (after paying the reasonable and necessary expenses of collecting and administering the tax):

- a. Sixty percent (60%) for constructing, paving, resurfacing, improving, and/or maintaining streets in and for the town;
- b. Ten percent (10%) for constructing, acquiring, improving, and/or maintaining fire department stations and facilities for said town, including fire trucks and appurtenances;
- c. Ten percent (10%) for constructing, acquiring, extending, improving, operating and/or maintaining recreational facilities for said town;
- d. Ten percent (10%) for constructing, acquiring, extending, improving, and/or maintaining police department facilities for said town, including the acquisition of all necessary equipment; and
- e. Ten percent (10%) to be used for any one or more of the above purposes as may be determined by the governing authority of the town.

Approximately 35% of the total sales taxes remitted to the town are collected from two businesses in the town.

S. BAD DEBTS

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

T. TOTAL COLUMNS ON STATEMENTS

Total columns on the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. FUND DEFICITS

The Utilities and Sanitation Fund has a \$234,590 deficit in unreserved retained earnings at March 31, 2003.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

3. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on the valuation of property as of January 1 of each year. Taxes are levied by the town in November and billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year. The town bills and collects its property taxes using the assessed values determined by the tax assessor of Claiborne Parish.

For the nine months ended March 31, 2003, taxes of 8.94 mills were levied on property with assessed valuations totaling \$12,092,008 and were dedicated as follows:

General corporate purposes	8.94 mills
----------------------------	------------

Total taxes levied for the nine months ended March 31, 2003, totaled \$108,103.

4. CASH AND CASH EQUIVALENTS

At March 31, 2003, the town has cash and cash equivalents (book balances) totaling \$797,969 as follows:

Petty cash	\$500
Demand deposits	658,067
Time deposits	<u>139,402</u>
Total	<u><u>\$797,969</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of certain securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. Securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At March 31, 2003, the town has \$748,370 in deposits (collected bank balances). These deposits are secured from risk by \$202,574 of federal deposit insurance (GASB Risk Category 1) and a \$1,000,000 Federal Home Loan Bank letter of credit (GASB Risk Category 3) pledged by fiscal agent bank.

5. INVESTMENTS

At March 31, 2003, the town has investments totaling \$102,007 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at March 31, 2003, is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana Revised Statute 33:2955.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. LAMP is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the Securities and Exchange Commission as an investment company.

6. RECEIVABLES

Receivables as of March 31, 2003, are as follows:

	General Fund	Capital Projects Fund	Utilities and Sanitation Fund	Total
Ad valorem taxes	\$5,630			\$5,630
Grant		\$51,899		51,899
Utilities and sanitation:				
Billed			\$293,186	293,186
Unbilled			35,693	35,693
Less - allowance for uncollectibles			(134,555)	(134,555)
Interest			379	379
Total	<u>\$5,630</u>	<u>\$51,899</u>	<u>\$194,703</u>	<u>\$252,232</u>

7. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables as of March 31, 2003, consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$5,272	\$20,966
Special Revenue Funds:		
Industrial Development Fund	7,000	
Tourism Fund		5,272
Utilities and Sanitation Fund	<u>13,966</u>	
Total	<u>\$26,238</u>	<u>\$26,238</u>

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

8. FIXED ASSETS

The changes in general fixed assets follows:

	Balance July 1, 2002	Additions	Deductions	Balance March 31, 2003
Land	\$87,743			\$87,743
Buildings	1,135,835	\$3,847	(\$14,611)	1,125,071
Improvements other than buildings	4,570,603	244,346	(131,736)	4,683,213
Airport	464,188			464,188
Equipment	1,307,129	42,257	(33,093)	1,316,293
Assets under capital leases		59,544		59,544
Construction in progress		19,900		19,900
Total	<u>\$7,565,498</u>	<u>\$369,894</u>	<u>(\$179,440)</u>	<u>\$7,755,952</u>

A summary of proprietary property, plant, and equipment at March 31, 2003, follows:

Land	\$13,330
Buildings and improvements	10,713,211
Machinery and equipment	364,769
Subtotal	<u>11,091,310</u>
Add - construction in progress	104,301
Less - accumulated depreciation	<u>(4,818,523)</u>
Total	<u>\$6,377,088</u>

During the nine months ended March 31, 2003, the proprietary fund had additions of \$246,895 and deletions of \$0 to property, plant, and equipment. Depreciation expense of the proprietary fund for the nine months ended March 31, 2003, totaled \$178,444.

9. PENSION PLAN

Substantially all full-time employees of the Town of Homer are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. 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

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

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% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25% of their annual covered earnings and the town is required to contribute at an actuarially determined rate. The current rate is 8% 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 requirements of plan members and the Town of Homer 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 Homer's contributions to the System under Plan A for the nine months ending March 31, 2003, totaled \$26,227, equal to the required contributions for the nine months.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% 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

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 7722 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the town is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the town 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 Homer's contributions to the System for the nine months ending March 31, 2003, totaled \$13,211, equal to the required contributions for nine months.

10. ACCOUNTS, WAGES, AND OTHER PAYABLES

The following is a summary of payables at March 31, 2003:

	General Fund	Special Revenue Funds	Capital Projects Funds	Utilities and Sanitation Fund	Total
Accounts payable	\$24,687	\$32,128	\$58,389	\$50,595	\$165,799
Payroll and related payables:					
Accrued wages	10,104			3,328	13,432
Accrued leave	11,272			5,385	16,657
Retirement and tax withholdings	44,683				44,683
	<u>\$90,746</u>	<u>\$32,128</u>	<u>\$58,389</u>	<u>\$59,308</u>	<u>\$240,571</u>
Total					

11. COMPENSATED ABSENCES

At March 31, 2003, employees of the Town of Homer have accumulated and vested \$16,657 of vacation leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$11,272 is recorded as an obligation of the General Fund, and \$5,385 is recorded as an obligation of the Utilities and Sanitation Fund (proprietary fund).

12. DEFERRED REVENUE

At March 31, 2003, the town recorded deferred revenue totaling \$12,939, relating to a rural development grant received in advance, for the renovation of the Ford Museum building.

13. CAPITAL LEASE

On February 20, 2003, the town financed the purchase (\$59,544) of three vehicles with Ford Motor Credit Company at 6% interest. The lease purchase agreement requires the town to pay \$1,802

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

per month for thirty-six months (3 years), and provides the town the option to purchase the vehicles at the end of the lease term, upon written notice.

The vehicles purchased under capital lease are recorded as assets and obligations in the accompanying financial statements. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and General Long-Term Debt Account Group, respectively.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of March 31, 2003:

	General Long-Term Obligations Account Group
Three Months Ending June 30, 2003	\$5,407
Fiscal Year Ending June 30:	
2004	21,630
2005	21,630
2006	12,616
Total minimum lease payments	<u>61,283</u>
Less - amount representing interest	<u>(5,055)</u>
Present value of net minimum lease payments	<u><u>\$56,228</u></u>

14. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the nine months ended March 31, 2003:

	General Obligation	Revenue	Total
Bonds and certificates payable at July 1, 2002	\$10,700	\$2,733,445	\$2,744,145
Bonds and certificates retired	<u>(10,700)</u>	<u>(24,589)</u>	<u>(35,289)</u>
Bonds payable at March 31, 2003	<u><u>NONE</u></u>	<u><u>\$2,708,856</u></u>	<u><u>\$2,708,856</u></u>

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

The town pledged its water system revenues and sewer system revenues as security for the repayment of the bonds. Bonds payable at March 31, 2003, are comprised of the following:

\$590,000 Sewer Revenue Bonds dated June 28, 1996; payable over a 40-year period, with the first annual installment of \$32,367 commencing on November 28, 1996, through November 28, 2035; interest at 4.50%	\$551,224
\$1,200,000 Sewer Revenue Bonds dated November 28, 1988; due in annual installments of \$76,500 in November 1989 and \$84,048 from 1990 through 2028; interest at 6.375%	1,052,389
\$1,201,000 Water Revenue Bonds dated July 15, 1994; payable over a 40-year period, with the first payment of \$43,068 of interest due on July 15, 1995. Commencing August 15, 1995 through July 15, 2034, equal monthly installments of \$6,041 consisting of principal and interest; interest at 5.25%	<u>1,105,243</u>
Total revenue bonds	<u><u>\$2,708,856</u></u>

The annual requirements to amortize all revenue bonds outstanding as of March 31, 2003, including interest payments of \$2,752,107, are as follows:

Three Months Ending June 30, 2003	\$18,123
Fiscal Year Ending June 30:	
2004	188,908
2005	188,908
2006	188,908
2007	188,907
2008	188,907
2009-2013	944,539
2014-2018	944,539
2019-2023	944,539
2024-2028	944,539
2029-2033	682,863
2034-2038	<u>37,283</u>
Total	<u><u>\$5,460,963</u></u>

The town is in violation of certain restrictive covenants of the water and sewer revenue bond agreements. The town charges water and sewer rates that are substantially less than the minimum rates mandated under the agreements. In addition, the town has not established separate rate structures for residential and commercial customers in accordance with the agreements. Also, the town does not maintain insurance coverage on its water and sewer facilities as required.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

15. CHANGES IN CONTRIBUTED CAPITAL

The Utilities and Sanitation Fund received contributions from federal and state sources for the purposes of acquiring or constructing water and sewer facilities and equipment.

The addition and source of contributed capital during the nine months ended March 31, 2003, follows:

Contributed capital - July 1, 2002	\$3,506,818
Additions:	
U.S. Department of Agriculture - Rural Development Grant - sewer system improvements	131,736
U.S. Department of Agriculture - Rural Development Grant - sewer system equipment	95,160
U.S. Department of Housing & Urban Development - Louisiana Community Development Block Grant - water well improvements	104,301
Deductions - depreciation on fixed assets acquired by grants	<u>(69,894)</u>
Contributed capital - March 31, 2003	<u><u>\$3,768,121</u></u>

16. RESTRICTED ASSETS - PROPRIETARY FUND

Restricted assets are applicable to the following at March 31, 2003:

	<u>Utilities and Sanitation Fund</u>
Cash:	
Customer meter deposits	\$26,477
Contingency funds - revenue bonds	107,751
Reserve funds - revenue bonds	101,533
Sinking funds - revenue bonds	70,374
Certificates of deposit - customer meter deposits and reserve funds	<u>94,402</u>
Total	<u><u>\$400,537</u></u>

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

Components of restricted assets are as follows:

Sinking Funds

The Town of Homer is required by Rural Development and other debt covenants to maintain Sinking Funds into which 1/12 of the annual installment for note payments are deposited each month.

Reserve Funds

Funds will be transferred into this fund in amounts of \$486 monthly for sewer bonds and \$303 monthly for water bonds until such time as there has been accumulated \$116,415 and \$72,492, respectively.

Contingency Funds

Funds will be transferred into this fund in amounts of \$492 monthly for sewer bonds and \$320 monthly for water bonds.

17. RESERVED AND DESIGNATED RETAINED EARNINGS/FUND BALANCE

At March 31, 2003, the Utilities and Sanitation Fund (proprietary fund) has the following amounts of retained earnings designated as reserved:

Reserve for revenue bond retirement	\$127,776
Reserve for bond depreciation and contingency	\$209,284

At March 31, 2003, the General Fund has \$36,687 of fund balance designated for street repair and improvements.

18. ON-BEHALF PAYMENTS

During the nine months ended March 31, 2003, the town's police chief and eight policemen each received \$300 per month in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections, totaling \$24,300. The town recognizes this supplemental pay received by the employees as revenues and expenditures of the town. The revenues are reported in the General Fund and the expenditures are included in Public Safety expenditures.

19. COMMITMENTS

On August 28, 2002, the town entered into a contract with a company to operate and maintain the town's wastewater treatment plant. The initial term of the contract is for one year commencing on September 3, 2002, for a base annual fee of \$167,462. Thereafter, the contract is automatically

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Continued)

renewed for successive terms of three years each unless cancelled by either party no less than 30 days prior to expiration. The subsequent year's base fee is to be calculated using 75% of the area's consumer price index applied to the prior year's base fee. For the nine months ended March 31, 2003, the town paid the company a total of \$96,981.

On April 6, 1999, the town entered into a five-year contract with a company to collect all of the town's residential solid waste (garbage). The contract provides for a monthly residential charge of \$8.33 for curbside collection and \$12.77 for backdoor collection. For the nine months ended March 31, 2003, the town paid the company a total of \$142,052.

20. CONTINGENCIES

At March 31, 2003, the town is involved in several open liability claims. The town's legal counsel does not anticipate a loss to the town resulting from these lawsuits. In addition, there is an unasserted claim relating to compensatory (overtime) hours accumulated by the town's elected chief of police. The town does not have a formal policy for elected officials earning overtime and has not recorded a liability in the accompanying financial statements. The town is unable to anticipate the outcome of this unasserted claim.

21. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

22. RISK MANAGEMENT

The town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town attempts to minimize risk from significant losses through the purchase of insurance.

23. SUBSEQUENT EVENT

In a May 19, 2003, letter, the town was issued a Compliance Order (enforcement action) by the State of Louisiana Department of Environmental Quality (DEQ). The town was ordered to immediately take steps to correct certain deficiencies to maintain compliance with the Louisiana Pollutant Discharge Elimination System Permit (LPDES) that authorizes the town to discharge treated sanitary wastewater from its facility to an unnamed ditch, thence into D'Arbonne Bayou, waters of the state. In response, the town revised its Master Plan to address the deficiencies and submitted it to DEQ in June 2003.

TOWN OF HOMER

Homer, Louisiana

Notes to the Financial Statements (Concluded)

24. GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board (GASB) issued Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, in June of 1999. The date of implementation is effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999 (earlier application is encouraged). The Town of Homer's total annual revenues were less than \$10 million in the fiscal year ending June 30, 1999; therefore, the Town of Homer is required (phase 3) to implement the provisions for the pronouncement for financial statements for the period beginning after June 15, 2003. GASB Statement Number 34 establishes a new governmental financial reporting model that will feature, among other significant changes, management discussion and analysis, a unique combination of fund-based and government-wide financial statements, required supplementary information, accounting for infrastructure assets, and accounting for the depreciation of infrastructure assets. The effects on the town's financial statement are not known at this time; however, the pronouncement will be implemented for the fiscal year ending June 30, 2004, if not implemented earlier.

TOWN OF HOMER
Homer, Louisiana

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Schedule 1

Schedule of Revenues, Expenditures, and Other Financing Sources, by Source

TOWN OF HOMER
Homer, Louisiana
GENERAL FUND

Schedule of Revenues, Expenditures, and
Other Financing Sources, by Source
For the Nine Months Ended March 31, 2003

REVENUES

Taxes:

Sales taxes	\$261,751
Ad valorem	109,233
Total taxes	<u>370,984</u>

Licenses and permits:

Occupational licenses	45,588
Utility franchise fee	100,970
Building permits	422
Burial permits	805
Insurance premium taxes	47,908
Total licenses and permits	<u>195,693</u>

Intergovernmental - Louisiana beer tax

7,802

On-behalf payments by state

24,300

Fines and forfeitures:

Mayor's court fines	16,518
Mayor's court costs	12
Narcotics revenue	912
Total fines and forfeitures	<u>17,442</u>

Interest earned on investments

1,151

Miscellaneous:

Sales tax administration fees	13,355
Cemetery donations	4,000
Town Hall rental	3,600
Other	29,073
Total miscellaneous	<u>50,028</u>

Total Revenues

\$667,400

(Continued)

TOWN OF HOMER
Homer, Louisiana
GENERAL FUND
Schedule of Revenues, Expenditures, and
Other Financing Sources, by Source
For the Nine Months Ended March 31, 2003

EXPENDITURES

General government:

Salaries:

Mayor and selectmen	\$16,900
Office	41,930
Maintenance	19,908
Postage	3,062
Supplies	2,530
Repairs	1,025
Machine maintenance	2,442
Accounting and auditing	11,318
Legal fees	3,108
Advertising	865
Office supplies	6,094
Dues and subscriptions	1,656
Convention and travel	4,756
Tax assessor's fees	778
Telephone	8,275
Gas and heating	3,117
Electricity	37,380
Liability insurance	49,034
Property Insurance	6,402
Workmen's compensation	15,777
Employee insurance	39,963
Employee retirement	19,526
Payroll taxes	18,471
Unemployment taxes	484
Contribution - Boys and Girls Club	10,000
Miscellaneous	17,821
Claiborne Council on Aging	900
Total general government	<u>343,522</u>

Public safety:

Salaries - police department	212,612
Capital lease	59,544
Capital lease - principal	3,316
Capital lease - interest	289
On-behalf payments from state	24,300

(Continued)

TOWN OF HOMER
Homer, Louisiana
GENERAL FUND
Schedule of Revenues, Expenditures, and
Other Financing Sources, by Source
For the Nine Months Ended March 31, 2003

EXPENDITURES (CONT.)

Public safety: (Cont.)	
Prisoner expense	\$13,572
Indigent defender	4,166
Coroner expense	3,205
Animal control	4,846
Total public safety	<u>325,850</u>
Highways and streets -	
salaries - street department	<u>97,441</u>
Public works:	
Contract labor	160
Cemetery supplies	41
Airport supplies	3,320
Museum expense	1,366
Miscellaneous	2,654
Total public works	<u>7,541</u>
Capital outlay	<u>13,859</u>
Total Expenditures	<u><u>\$788,213</u></u>

OTHER FINANCING SOURCES

Operating transfers in:	
Street fund	\$40,000
Fire fund	5,000
Police fund	1,802
Total operating transfers in	<u>46,802</u>
Operating transfers out:	
Enterprise fund	(17,500)
Mayfield Bicycle Trail	(13,500)
Ford Museum	(6,000)
Total operating transfers out	<u>(37,000)</u>
Sales of fixed assets:	
Sale of building and land	45,000
Sale of surplus equipment	15,013
Total sales of fixed assets	<u>60,013</u>
Capital lease	<u>59,544</u>
Total Other Sources	<u><u>\$129,359</u></u>

(Concluded)

TOWN OF HOMER
Homer, Louisiana

SPECIAL REVENUE FUNDS

Industrial Development Fund

The Industrial Development Fund is used to account for the 20% of the net revenues of the sales and use tax which is dedicated and used for industrial development facilities.

Street Department Fund

The Street Department Fund is used to account for the operations of the street maintenance department. Financing is primarily provided by a one cent sales and use tax ordinance effective January 1, 1986. The ordinance provides that after paying the reasonable and necessary expenses of collecting and administering the tax, 60% would be used for constructing, paving, resurfacing, improving, and/or maintaining streets in and for the town.

Fire Department Fund

The Fire Department Fund is used to account for the operations of the fire department. Financing is primarily provided by a one cent sales and use tax ordinance effective January 1, 1986. The ordinance provides that after paying the reasonable and necessary expenses of collecting and administering the tax, 10% would be for constructing, paving, resurfacing, improving and/or maintaining the town's fire department stations and facilities, including fire trucks and appurtenances.

Police Department Fund

The Police Department Fund is used to account for the operations of the police department. Financing is primarily provided by a one cent sales and use tax ordinance effective January 1, 1986. The ordinance provides that after paying the reasonable and necessary expenses of collecting and administering the tax, 10% would be for constructing, acquiring, extending, improving, operating and/or maintaining the town's police department facilities, including the acquisition of all necessary equipment.

Recreation Department Fund

The Recreation Department Fund is used to account for the operations of the recreation department. Financing is primarily provided by a one cent sales and use tax ordinance effective January 1, 1986. The ordinance provides that after paying the reasonable and necessary expenses of collecting and administering the tax, 10% would be used for constructing, acquiring, expending, improving, operating and/or maintaining the town's recreational facilities.

Contingency Fund

The Contingency Sales Tax Fund is used to account for the receipt and use of proceeds of the town's sales and use tax. Under the provisions of the sales and use tax ordinance effective January 1, 1986, 10% is to be used for any one or more of the purposes that the remaining 90% of the tax is allowed. The apportionment of this 10% will be determined by the governing authority of the town.

TOWN OF HOMER
Homer, Louisiana

SPECIAL REVENUE FUNDS

Tourism Fund

The Tourism Fund is used to account for a portion of state sales tax collected on hotel/motel occupancy received by the Town of Homer. These monies are to be used solely for economic development within the Town of Homer.

Louisiana Commission Law Enforcement Grant

The Louisiana Commission Law Enforcement Grant Fund is used to account for the law enforcement grant activities.

Schedule 2

Combining Balance Sheet

Schedule 3

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

TOWN OF HOMER
Homer, Louisiana
SPECIAL REVENUE FUNDS

Combining Balance Sheet, March 31, 2003

	INDUSTRIAL DEVELOPMENT FUND	STREET FUND	FIRE FUND	RECREATION FUND
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash	\$299,160	\$79,600	\$25,717	\$9,493
Investments	102,007			
Due from other funds	7,000			
Other assets	250			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$408,417</u>	<u>\$79,600</u>	<u>\$25,717</u>	<u>\$9,493</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$1,050	\$23,801	\$238	\$220
Due to other funds				
Total Liabilities	<u>1,050</u>	<u>23,801</u>	<u>238</u>	<u>220</u>
Fund balances - unreserved and undesignated	<u>407,367</u>	<u>55,799</u>	<u>25,479</u>	<u>9,273</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$408,417</u>	<u>\$79,600</u>	<u>\$25,717</u>	<u>\$9,493</u>

Schedule 2

<u>POLICE FUND</u>	<u>CONTINGENCY FUND</u>	<u>TOURISM FUND</u>	<u>LOUISIANA COMMISSION LAW ENFORCEMENT GRANT</u>	<u>TOTALS</u>
\$7,848	\$20,814	\$20,665		\$463,297 102,007 7,000 250
<u>\$7,848</u>	<u>\$20,814</u>	<u>\$20,665</u>	<u>NONE</u>	<u>\$572,554</u>
\$3,534		\$3,284 5,273		\$32,127 5,273
3,534	NONE	8,557	NONE	37,400
4,314	\$20,814	12,108	NONE	535,154
<u>\$7,848</u>	<u>\$20,814</u>	<u>\$20,665</u>	<u>NONE</u>	<u>\$572,554</u>

TOWN OF HOMER
Homer, Louisiana
SPECIAL REVENUE FUNDS

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Nine Months Ended March 31, 2003**

	INDUSTRIAL DEVELOPMENT FUND	STREET FUND	FIRE FUND	RECREATION FUND
REVENUES				
Taxes	\$65,438	\$196,313	\$32,719	\$32,719
Interest	1,186			
Miscellaneous		5,942	760	2,450
Total revenues	<u>66,624</u>	<u>202,255</u>	<u>33,479</u>	<u>35,169</u>
EXPENDITURES				
General government				
Public safety			39,867	
Highways and streets		119,954		
Parks and recreation				42,891
Industrial development	6,065			
Total expenditures	<u>6,065</u>	<u>119,954</u>	<u>39,867</u>	<u>42,891</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>60,559</u>	<u>82,301</u>	<u>(6,388)</u>	<u>(7,722)</u>
Other sources and uses:				
Operating transfers from (to):				
Special revenue funds				10,000
General Fund		(40,000)	(4,948)	
Debt service funds	13,485			
Total other sources (uses)	<u>13,485</u>	<u>(40,000)</u>	<u>(4,948)</u>	<u>10,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	74,044	42,301	(11,336)	2,278
FUND BALANCES AT BEGINNING OF YEAR	<u>333,323</u>	<u>13,498</u>	<u>36,815</u>	<u>6,995</u>
FUND BALANCES AT END OF YEAR	<u><u>\$407,367</u></u>	<u><u>\$55,799</u></u>	<u><u>\$25,479</u></u>	<u><u>\$9,273</u></u>

Schedule 3

POLICE FUND	CONTINGENCY FUND	TOURISM FUND	LOUISIANA COMMISSION LAW ENFORCEMENT GRANT	TOTALS
\$32,719	\$32,719	\$10,387		\$403,014
		76	\$3	1,265
10,297		5,000		24,449
<u>43,016</u>	<u>32,719</u>	<u>15,463</u>	<u>3</u>	<u>428,728</u>
		11,617	1,209	12,826
48,424				88,291
				119,954
				42,891
				6,065
<u>48,424</u>	<u>NONE</u>	<u>11,617</u>	<u>1,209</u>	<u>270,027</u>
(5,408)	32,719	3,846	(1,206)	158,701
				(1,803)
8,697	(20,500)			(44,948)
				13,485
<u>8,697</u>	<u>(20,500)</u>	<u>NONE</u>	<u>NONE</u>	<u>(33,266)</u>
3,289	12,219	3,846	(1,206)	125,435
1,025	8,595	8,262	1,206	409,719
<u>\$4,314</u>	<u>\$20,814</u>	<u>\$12,108</u>	<u>NONE</u>	<u>\$535,154</u>

TOWN OF HOMER
Homer, Louisiana

CAPITAL PROJECTS FUNDS

Mayfield Bicycle Trail

The Mayfield Bicycle Trail Fund accounts for the activity related to a grant received to construct a recreational trail.

Homer By-Pass

The Homer By-Pass Fund accounts for the activity related to a grant received to study a Homer By-Pass (road) project.

Sewer Construction

The Sewer Construction Fund accounts for the activity related to a rural development grant received for sewer system improvements and equipment.

Ford Museum

The Ford Museum Fund accounts for the activity related to a rural development grant received for renovations of the Ford Museum building.

Street Improvement

The Street Improvement Fund accounts for the activity related to a community development block grant received for street improvements.

Water Well

The Water Well Fund accounts for the activity related to a community development block grant received for water well improvements.

Schedule 4

Combining Balance Sheet

Schedule 5

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

TOWN OF HOMER
Homer, Louisiana
CAPITAL PROJECTS FUNDS

Combining Balance Sheet, March 31, 2003

	<u>MAYFIELD BICYCLE TRAIL</u>	<u>HOMER BY-PASS</u>	<u>SEWER CONSTRUCTION</u>
ASSETS			
Cash	\$115	\$8	\$3,911
Receivable - grant			
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$115</u>	<u>\$8</u>	<u>\$3,911</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable			
Deferred revenue			
	<hr/>	<hr/>	<hr/>
Total liabilities	NONE	NONE	NONE
Fund balances - unreserved and undesignated	<hr/>	<hr/>	<hr/>
	\$115	\$8	\$3,911
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$115</u>	<u>\$8</u>	<u>\$3,911</u>

<u>FORD</u> <u>MUSEUM</u>	<u>STREET</u> <u>IMPROVEMENT</u>	<u>WATER</u> <u>WELL</u>	<u>TOTAL</u>
\$19,429		\$1	\$23,464
		51,899	51,899
<u>\$19,429</u>	<u>NONE</u>	<u>\$51,900</u>	<u>\$75,363</u>
\$6,490		\$51,899	\$58,389
12,939			12,939
19,429	NONE	51,899	71,328
NONE	NONE	1	4,035
<u>\$19,429</u>	<u>NONE</u>	<u>\$51,900</u>	<u>\$75,363</u>

TOWN OF HOMER
Homer, Louisiana
CAPITAL PROJECTS FUNDS

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Nine Months Ended March 31, 2003**

	<u>MAYFIELD BICYCLE TRAIL</u>	<u>HOMER By-Pass</u>	<u>SEWER CONSTRUCTION</u>
REVENUES			
Grant proceeds:			
Office of Community Development			
Rural Development			\$113,583
Interest earned			8
Total Revenues	<u>NONE</u>	<u>NONE</u>	<u>113,591</u>
EXPENDITURES			
Capital outlay - equipment			95,160
Construction			
Engineering			
Consultant and administrative			
Miscellaneous expense			8,052
Total expenditures	<u>NONE</u>	<u>NONE</u>	<u>103,212</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	NONE	NONE	10,379
Other (uses) and sources - operating transfers from (to) - transfer from General Fund	<u>\$13,500</u>	<u>NONE</u>	<u>NONE</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	13,500	NONE	10,379
FUND BALANCES AT BEGINNING OF YEAR	<u>(13,385)</u>	<u>\$8</u>	<u>(6,468)</u>
FUND BALANCES AT END OF YEAR	<u>\$115</u>	<u>\$8</u>	<u>\$3,911</u>

<u>FORD</u> <u>MUSEUM</u>	<u>STREET</u> <u>IMPROVEMENT</u>	<u>WATER</u> <u>WELL</u>	<u>TOTAL</u>
	\$244,347	\$104,302	\$348,649
\$14,061			127,644
			8
<u>14,061</u>	<u>244,347</u>	<u>104,302</u>	<u>476,301</u>
			95,160
19,900	187,391	71,339	278,630
	45,183	16,442	61,625
	11,773	16,520	28,293
161			8,213
<u>20,061</u>	<u>244,347</u>	<u>104,301</u>	<u>471,921</u>
(6,000)	NONE	1	4,380
<u>6,000</u>	<u>NONE</u>	<u>NONE</u>	<u>19,500</u>
NONE	NONE	1	23,880
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>(19,845)</u>
<u>NONE</u>	<u>NONE</u>	<u>\$1</u>	<u>\$4,035</u>

TOWN OF HOMER
Homer, Louisiana

PROPRIETARY FUND

Utilities and Sanitation

The Utilities and Sanitation Fund accounts for the water, sewer, and sanitation services provided to residents of the town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Schedule 6

Schedule of Revenues, Expenses, and Changes in Retained Earnings

Schedule 7

Schedule of Operating Expenses, by Departments

TOWN OF HOMER
Homer, Louisiana
PROPRIETARY FUND - UTILITIES AND SANITATION FUND

**Schedule of Revenues, Expenses,
and Changes in Retained Earnings
For the Nine Months Ended March 31, 2003**

OPERATING REVENUES

Water sales and service	\$328,268
Sewer fees	295,325
Sanitation fees	143,382
Delinquent fees	25,223
Total operating revenues	<u>792,198</u>

OPERATING EXPENSES

Water department	152,257
Sewer department	220,454
Sanitation department	144,869
General and administrative	293,985
Depreciation	178,444
Total operating expenses	<u>990,009</u>

OPERATING LOSS(197,811)**NONOPERATING REVENUES (Expenses)**

Investment income	3,058
Interest expense	(113,382)
Total nonoperating revenues (expenses)	<u>(110,324)</u>

LOSS BEFORE OPERATING TRANSFERS

(308,135)

OPERATING TRANSFERS

Transfers in from General Fund	<u>17,500</u>
--------------------------------	---------------

NET LOSS

(290,635)

RETAINED EARNINGS AT BEGINNING OF YEAR

323,212

AMORTIZATION OF CONTRIBUTED CAPITAL69,893**RETAINED EARNINGS AT END OF YEAR**\$102,470

TOWN OF HOMER
Homer, Louisiana
PROPRIETARY FUND - UTILITIES AND SANITATION FUND

Schedule of Operating Expenses, by Departments
For the Nine Months Ended March 31, 2003

OPERATING EXPENSES

Water department expenses:		
Salaries	\$59,307	
Electricity	37,812	
Supplies expense	37,494	
Sales tax expense	12,586	
Safe drinking water	4,565	
Miscellaneous	493	
Total water department		\$152,257
Sewer department expenses:		
Salaries	70,317	
Contract services	96,981	
Supplies expense	31,308	
Electricity	21,848	
Total sewer department		220,454
Sanitation department expenses - contract services		
		144,869
General and administrative expenses:		
Salaries - mayor and selectmen	16,900	
Salaries - office	41,930	
Postage	3,062	
Supplies	3,308	
Repairs	1,025	
Maintenance	2,442	
Accounting and auditing	11,318	
Legal fees	3,108	
Advertising	865	
Office supplies	4,408	
Dues and subscriptions	1,656	
Convention and travel	4,756	
Tax assessor's fees	778	
Telephone	8,275	
Gas and heating	3,117	
Electricity	37,380	
Liability insurance	49,034	
Property insurance	6,402	
Workmen's compensation	15,777	
Employee insurance	39,963	
Employee retirement	19,526	
Payroll taxes	18,471	
Unemployment	484	
Total general and administrative expense		293,985
Depreciation expense		178,444
Total operating expenses		<u>\$990,009</u>

TOWN OF HOMER
Homer, Louisiana

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group accounts for fixed assets not used in proprietary fund operations.

Schedule 8

Schedule of General Fixed Assets

TOWN OF HOMER
Homer, Louisiana
GENERAL FIXED ASSETS ACCOUNT GROUP

Schedule of General Fixed Assets, March 31, 2003

ASSETS

Land	\$87,743
Buildings	1,125,071
Improvements other than buildings	4,683,213
Airport	464,188
Equipment	1,316,293
Construction in progress	19,900
Assets under capital leases	59,544

TOTAL GENERAL FIXED ASSETS	<u>\$7,755,952</u>
----------------------------	--------------------

INVESTMENT IN GENERAL FIXED ASSETS

Property acquired prior to July 1, 1953	\$20,797
Property acquired after July 1, 1953, from:	
General obligation bonds	747,517
Federal and state grants	3,542,671
Donations	53,000
General Fund revenues	890,816
Sales tax and special revenue funds	2,338,218
Federal revenue sharing funds	162,933

TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u>\$7,755,952</u>
--	--------------------

TOWN OF HOMER
Homer, Louisiana

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The General Long-Term Debt Account Group accounts for the unmatured principal amounts on general long-term debt/obligations expected to be financed from governmental type funds.

Schedule 9

Schedule of General Long-Term Debt

Schedule 10

Schedule of Compensation Paid Board Members

TOWN OF HOMER
Homer, Louisiana
GENERAL LONG-TERM DEBT ACCOUNT GROUP

Schedule of General Long-Term Debt, March 31, 2003

ASSETS AND OTHER DEBITS

Amounts available and to be provided for payment of general long-term debt - amounts to be provided for retirement of lease obligation	<u>\$56,228</u>
--	-----------------

LIABILITIES

General long-term debt payable - obligations under capital lease agreement	<u>\$56,228</u>
---	-----------------

TOWN OF HOMER
Homer, Louisiana

Schedule of Compensation Paid Board Members
For the Nine Months Ended March 31, 2003

	<u>PERIOD</u>	<u>AMOUNT</u>
<u>Current Administration</u>		
Huey Dean, Mayor	January 1, 2003 - March 31, 2003	\$4,500
Selectmen:		
Billy Kirk Jenkins	January 1, 2003 - March 31, 2003	1,200
John C. Moore	January 1, 2003 - March 31, 2003	1,200
Johnette Faulkner	January 1, 2003 - March 31, 2003	900
Thomas McDonald	January 1, 2003 - March 31, 2003	900
Jesse J. Ford	January 1, 2003 - March 31, 2003	<u>1,100</u>
 Total		 <u><u>\$9,800</u></u>
<u>Previous Administration</u>		
David Aubrey, Mayor	July 1, 2002 - December 31, 2002	\$12,000
Selectmen:		
Jesse E. Watson, Jr.	July 1, 2002 - December 31, 2002	2,400
Patricia Jenkins	July 1, 2002 - December 31, 2002	2,400
Scott Roberson	July 1, 2002 - December 31, 2002	2,400
Joseph Merritt, Jr.	July 1, 2002 - December 31, 2002	2,400
Jess Robertson	July 1, 2002 - December 31, 2002	<u>2,400</u>
 Total		 <u><u>\$24,000</u></u>

EXHIBIT A



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
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TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

August 29, 2003,
Except for Financial Statement Finding 2003-17
in Appendix C, as to which the date is
October 17, 2003.

Report on Compliance and on Internal Control Over Financial
Reporting Based Solely on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**
Homer, Louisiana

We have audited the primary government financial statements of the Town of Homer as of and for the nine months ended March 31, 2003, and have issued our report thereon dated August 29, 2003, which was qualified because we could not determine the Utilities and Sanitation Fund accounts receivable balance and related allowance for uncollectible accounts and the general fixed assets equipment balance and because the comparative budget and actual statements were not presented. Except for the matters discussed previously regarding the accounts receivable and equipment balances, 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Homer's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying Financial Statement Findings in Appendix C as items 2003-01, 2003-02, 2003-03, 2003-04, 2003-05, 2003-08, 2003-09, 2003-13, 2003-15, and 2003-17 and in the accompanying Federal Award Findings in Appendix D as item 2003-18.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Homer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we considered to be reportable conditions.

LEGISLATIVE AUDITOR

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**

Compliance and Internal Control Report
August 29, 2003, Except for Financial Statement Finding 2003-17
in Appendix C, as to which the date is
October 17, 2003.
Page 2

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Homer's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Financial Statement Findings in Appendix C as items 2003-01 through 2003-17.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described previously, we consider all items to be material weaknesses. We also noted certain insignificant matters involving the internal control over financial reporting, which we have reported in a separate letter to management (Appendix F), that are not required to be reported herein under *Government Auditing Standards*.

This report is intended for the information and use of the mayor, certain other elected officials of the Town of Homer, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

ESS:GLM:GCA:ss

[HOMER03]

EXHIBIT B



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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August 29, 2003

Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**
Homer, Louisiana

Compliance

We have audited the compliance of the Town of Homer with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the nine months ended March 31, 2003. The Town of Homer's major federal programs are identified in the Summary of Auditor's Results section (Appendix A). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Homer's management. Our responsibility is to express an opinion on the Town of Homer's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Homer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Homer's compliance with those requirements.

As described in item 2003-18 in the accompanying schedule of Federal Award Findings (Appendix D), the Town of Homer did not comply with requirements regarding special tests and provisions included in the "Letter of Intent to Meet Conditions" agreements that are applicable to its Water and Waste Disposal Systems for Rural Communities (CFDA 10.760). Compliance with such requirements is necessary, in our opinion, for the Town of Homer to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Homer complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the nine months ended March 31, 2003.

EXHIBIT B

LEGISLATIVE AUDITOR

HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER

Compliance and Internal Control Report
August 29, 2003
Page 2

Internal Control Over Compliance

The management of the Town of Homer is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Homer's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the mayor, certain other elected officials of the Town of Homer, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

ESS:GLM:GCA:ss

[HOMER03]

Appendix A

Schedule of Expenditures of Federal Awards

LEGISLATIVE AUDITOR

Appendix A

TOWN OF HOMER
Homer, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Nine Months Ended March 31, 2003

<u>Federal Grantor</u>	<u>Program Title</u>	<u>Grantor's Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
U.S. Department of Agriculture - Rural Development	Water & Waste Disposal Systems for Rural Communities	NA	10.760	\$2,708,856 (A)
U.S. Department of Housing and Urban Development - (Passed through Louisiana Division of Administration - Office of Community Development)	Community Development Block Grants/State's Program	584461	14.228	244,346
U.S. Department of Housing and Urban Development - (Passed through Louisiana Division of Administration - Office of Community Development)	Community Development Block Grants/State's Program	589806	14.228	104,301
U.S. Department of Agriculture - Rural Development	Solid Waste Management Grants	NA	10.762	103,212
U.S. Department of Agriculture - Rural Development	Community Facilities Loans and Grants	NA	10.766	20,061
U.S. Department of Agriculture - Forest Service Urban and Community Forestry Program - (Passed through Louisiana Department of Agriculture and Forestry)	Cooperative Forestry Assistance	576126	10.664	<u>5,000</u>
Total				<u><u>\$3,185,776</u></u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note (A): Federal expenditures shown represent the following loan balances outstanding at March 31, 2003:

1. On November 28, 1988, sewer revenue bonds issued by the town totaling \$1,200,000, with a remaining balance of \$1,052,389, at March 31, 2003, were purchased by the Farmers Home Administration (Rural Development).
2. On July 15, 1994, water revenue bonds issued by the town totaling \$1,201,000, with a remaining balance of \$1,105,243, at March 31, 2003, were purchased by the Farmers Home Administration (Rural Development).
3. On June 28, 1996, sewer revenue bonds issued by the town totaling \$590,000, with a remaining balance of \$551,224, at March 31, 2003, were purchased by the Farmers Home Administration (Rural Development).

Appendix B

Summary of Auditor's Results

LEGISLATIVE AUDITOR

Appendix B

TOWN OF HOMER
Homer, Louisiana

SUMMARY OF AUDITOR'S RESULTS
For the Nine Months Ended March 31, 2003

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Reportable condition(s) identified not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Type of auditor's report issued on compliance for major programs:

Unqualified for all major programs except for the Water and Waste Disposal Systems for Rural Communities, which was qualified.

Internal control over major programs:

Material weakness(es) identified? yes X no

Reportable condition(s) identified not considered to be material weaknesses? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? X yes no

Major Programs:

Two programs were tested as major programs. They were the U.S. Department of Agriculture (Rural Development) Water and Waste Disposal Systems for Rural Communities program (CFDA 10.760) and the U.S. Department of Housing and Urban Development Community Development Block Grants/State's Program (CFDA 14.228).

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

Appendix C

Financial Statement Findings

TOWN OF HOMER
Homer, Louisiana

FINANCIAL STATEMENT FINDINGS
For the Nine Months Ended March 31, 2003

COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANTS

2003-01 Noncompliance With Sales Tax Ordinances

The town's sales tax revenues are not deposited in a separate bank account as required and town records do not clearly account for the expenditure of sales tax monies collected. Also, dedicated sales taxes are used for Utilities and Sanitation Fund operations in violation of the sales tax ordinances. Ordinance Number 601, adopted on August 19, 1971, requires all sales tax revenues to be deposited in a separate bank account. Louisiana Revised Statute (R.S.) 39:704 states, "The proceeds of any special tax shall constitute a trust fund to be used exclusively for the objects and purposes for which the tax was levied. The records of the taxing authority shall clearly reflect the objects and purposes for which the proceeds of the tax are used."

The town collects sales taxes which are primarily dedicated for specific purposes. Collections from the 1985 one percent sales tax are dedicated for streets, police, fire, and recreation. Also, a minimum of 20% of the collections from the 1971 one-percent sales tax are dedicated for industrial development facilities.

Rather than depositing sales tax monies in a separate bank account as required, all sales tax monies collected are deposited in a "Master Bank" checking account that includes monies of the General Fund, Special Revenue Funds, and Utilities and Sanitation Fund. Although the town maintains a separate general ledger accounting for each of the funds, there is no clear accounting of the expenditure of the dedicated sales tax monies as they are commingled with other town funds.

Dedicated sales tax monies deposited in the "Master Bank" checking account are being spent/borrowed for Utilities and Sanitation Fund operations which is a clear violation of the 1985 sales tax ordinance. The Utilities and Sanitation Fund has maintained a significant negative cash balance in the "Master Bank" checking account over the past several years which is being "covered" by the positive cash balances maintained by the General and Special Revenue Funds. However, the town does not maintain an accounting of the monies borrowed by the Utilities and Sanitation Fund from the General Fund and/or individual Special Revenue Funds. At March 31, 2003, cash in the "Master Bank" checking account is comprised of the following:

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

General Fund	\$53,777
Special Revenue Funds:	
Industrial Development	299,161
Streets	79,600
Police	7,848
Fire	25,717
Recreation	9,492
Contingency	20,813
Utilities and Sanitation Fund	<u>(231,028)</u>
Total "Master Bank" Cash	<u><u>\$265,380</u></u>

The town should deposit all sales tax monies in a separate bank account as required by ordinance and clearly account for its expenditure in accordance with law. In addition, the town should cease spending dedicated sales tax monies on Utilities and Sanitation Fund operations. Also, the board should be directed to develop a formal plan for the Utilities and Sanitation Fund to begin repaying funds spent/borrowed from the General and/or Special Revenue Funds.

2003-02 Property Sold Without Properly Notifying Public

The town failed to comply with Louisiana law in selling town property to a private individual.

R.S. 33:4712(B) requires that before disposition can be made of property, an ordinance must be introduced, giving the reasons for the action and fixing the minimum price and terms of the sale. In addition, R.S. 33:4712(E) provides that the property must be advertised for sale.

The town sold the Coca Cola Bottling Plant Building and land (property) that it owned to a private individual (buyer) without following the required procedures for adopting an ordinance to authorize the sale and fix the minimum price and terms of the sale. This did not give the general public an opportunity for opposition to the proposed action to be made known. Also, the property was not advertised for sale to provide an equal opportunity to those who may be interested in purchasing the property. In addition, there was no formal appraisal done to establish the minimum acceptable price for the property. The following details the results of our review of the sale of the property:

- In a special board meeting on February 10, 2003, the board approved the sale of the property to a private individual for \$45,000. The written minutes do not reflect that an ordinance or a resolution was proposed or discussed relating to the sale of the property. The mayor received a written opinion, dated February 7, 2003, from a local area real estate broker that the property's fair market value was \$45,500.
- On February 26, 2003, the town received a check for \$45,000 from the buyer for the property. The mayor and buyer signed an Act of Cash Sale; however, the document

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

was not notarized and filed with the clerk of court. According to the town clerk, the Act of Cash Sale was not recorded because of verbal complaints received about the sale.

- The \$45,000 check was held by the town until March 12, 2003. On this date, the town used the check to purchase a 90-day certificate of deposit (the check was never deposited in the town's bank account).
- On March 21, 2003, the town received a formal letter opposing the sale of the property because (1) lack of a professional appraisal; (2) property was not advertised for public bid; and (3) ordinances cannot be proposed and declared passed during the same meeting.
- On March 13, 20, and 27, 2003, the town advertised that a public hearing on the proposed ordinance to sell the property would be held on April 7, 2003. This advertisement disclosed that the proposed ordinance was read, considered, and voted upon and declared passed and adopted for publication at the February 10, 2003, special board meeting. However, the mayor and town clerk informed us that neither an ordinance nor resolution was introduced or discussed at this meeting.
- On April 7, 2003, the public hearing was held and an ordinance was adopted to sell the property for \$45,000 to the same private individual.
- On April 9, 2003, an Act of Cash Sale was executed.

In the future, the town should fully comply with state law when selling surplus property.

2003-03 Donating Town Funds

The town may have violated Louisiana's Constitution and state law by exceeding its powers in donating town funds to nonprofit organizations and making payments for others without a valid cooperative endeavor agreement. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporations. Article VII, Section 14(C) provides that for a public purpose, the state and its political subdivisions or political corporations may engage in cooperative endeavors with each other, with the United States or its agencies, or with any public or private association, corporation or individual. However, to have a valid cooperative endeavor agreement, all three of the following elements must be met:

- (1) the expenditure or transfer of public funds or property must be based on a legal obligation or duty;

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

- (2) the expenditure must be for a public purpose; and
- (3) the expenditure must create a public benefit proportionate to its cost.

The town donated/expended town funds for the following that either did not meet the three required elements of a valid cooperative endeavor agreement or there was no cooperative endeavor agreement.

Boys and Girls Club of Homer

On October 29, 2002, the town paid \$10,000 to the Boys and Girls Club of Homer (club), a nonprofit organization. Although there is a written cooperative endeavor agreement between the town and the club, it does not meet all three of the required elements. First, the town does not have a legal obligation or duty to pay the club as there is no statute, ordinance, charter or contract that requires the payment. Second, the expenditure must be for a public purpose. The agreement between the town and the club does not specify exactly how the \$10,000 will be used and there is no provision in the agreement for the town to ensure that the money was expended for the intended purpose.

Homer Chamber of Commerce

The town and the Homer Chamber of Commerce (chamber), a nonprofit corporation, have an agreement dated June 22, 1999, for the town to pay \$500 each month to the chamber for its support. In the town's regular meeting on September 9, 2002, the \$500 support funding was increased to \$700 each month. Although there is a written agreement between the town and the chamber, we were unable to determine whether the services provided by the chamber are equivalent in value with the amount paid to the chamber as the agreement for the services are very general. In addition, the town is providing office space for the chamber (through the town's lease with the Herbert S. Ford Museum) which violates Article VII, Section 14(A) of the Louisiana Constitution of 1974. The Louisiana Attorney General (A.G.) has opined in A.G. Opinion No. 99-363 that providing office space to the chamber is a donation of value which is expressly prohibited by the constitution.

Claiborne Economic Development Board

On July 22, 2002, the town paid \$1,500 to the Claiborne Economic Development Board for printing costs for a publication prepared by the Planning Committee on Economic Development titled "Vision for A Better Tomorrow-A Strategic Plan for Claiborne Parish Louisiana." In a letter dated May 21, 2002, from the chairman of the Claiborne Economic Development Board, the printing costs were expected to be approximately \$6,000 and the Town of Homer, Town of Haynesville, and the Claiborne Parish Police Jury were requested to contribute toward the cost of printing the publication. There is no cooperative endeavor agreement, no evidence of the number of copies made, no documentation as to how it was to be distributed or to whom, no documentation of how it will benefit the town, and no follow-up provisions as to the effectiveness of the publication.

Herbert S. Ford Memorial Museum

The town leases one of its buildings to the Herbert S. Ford Memorial Museum (museum), a nonprofit corporation, for a 99-year term (ending June 4, 2080) for one dollar each year. The town pays

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

the electricity bill for the museum and does not bill the museum for water, sewer, and garbage collection. The October 10, 2002, town payment to Entergy included \$590 paid for the museum for electricity used from August 7, 2002, to September 5, 2002. There is no cooperative endeavor agreement that specifies how the one dollar a year lease, payment of the museum's electricity bill, and not billing the museum for utilities is commensurate with the public benefit that the town receives.

The town should not donate public funds unless a valid cooperative endeavor agreement exists that meets all three elements.

2003-04 Public Bid Law Violations

The town may have violated the public bid law by not obtaining bids for gasoline/diesel and chemical purchases. R.S. 38:2212 requires competitive bids for all purchases of materials and supplies exceeding \$15,000.

For the fiscal year ending June 30, 2003, the town purchased gasoline/diesel totaling \$42,616 from one vendor. In addition, for the same period, \$17,813 was disbursed for chemicals from one vendor. Although the individual purchases did not exceed the \$15,000 bid limit amount (the 2003 Legislative Session increased the bid limit amount from \$15,000 to \$20,000 for materials and supplies), the total purchases exceeded the \$15,000 bid limit amount. The Louisiana Attorney General has opined in A.G. Opinion No. 02-0122 that recurring purchases that in the aggregate exceed the bid limit must be let for public bid.

The town should comply with the competitive bidding requirements of the Louisiana public bid law. In addition, the town should seek quotes when large items are purchased to ensure that the most favorable prices are obtained. We suggest that these quotes be documented as part of the approval process before the purchase is made.

INTERNAL CONTROL OVER FINANCIAL REPORTING**2003-05 Financial Statements Not Prepared Timely**

Financial statements were not prepared timely resulting in management failing to adequately use the town's budget to effectively exercise its fiduciary responsibilities of managing the town's fiscal operations. Also, the town violated its charter in not preparing monthly financial statements and violated the Local Government Budget Act because the adopted budget did not include a budget message and a budget adoption instrument. Management has a fiduciary responsibility to monitor current financial information compared to the budgeted amounts to properly manage the town's fiscal operations. Section 10 of the town's charter requires the treasurer to keep an account of all receipts and disbursements and to make monthly reports of

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

the condition of the treasury. R.S. 39:1305 requires the mayor to prepare and sign a budget message that includes, among other items, a summary description of the proposed financial plan. Also required is a budget adoption instrument that specifies the mayor's authority to make changes within various budget classifications without approval of the board, as well as those powers reserved solely to the board.

The latest financial statements prepared that are compared to the budgeted amounts are for January 2003. These financial statements and budget comparisons were not prepared until May 2003, which is over three months late. As of August 29, 2003 (last day of our field work), monthly financial statements for February, March, April, May, June, and July 2003 have not been prepared. Without timely financial statements with budget comparisons, the mayor and board of the town cannot effectively exercise their responsibilities of managing the town's fiscal operations.

The town's 2002-2003 budget was presented and adopted on June 3, 2002, but did not include the required budget message and budget adoption instrument.

The town should ensure that the treasurer presents accurate and timely financial statements to the mayor and board that report the operations of the town compared to the budgeted amounts. Also, we suggest that the board's review of the town's financial statements and budget be reflected as an item on the monthly meeting agenda and that the discussions be documented in the board minutes. In addition, all future budgets should include a budget message and budget adoption instrument.

2003-06 Bank Statements Should Be Reconciled Timely

Bank statements and related deposits and canceled checks are not reconciled timely to the book balances. Reconciling the bank balances with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the town (an essential process in ensuring complete and accurate monthly financial statements); (2) checks are clearing the bank in a reasonable time; (3) reconciling items (errors, unrecorded deposits and checks, etc.) are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance. In addition, R.S. 10:4-406(d)(2) allows the town 30 days to examine bank statements and canceled checks for unauthorized signatures or alterations. After 30 days, the town is precluded from asserting a claim against the bank for unauthorized signatures or alterations.

On the date of our visit (May 8, 2003), the town's bank accounts were reconciled through January 2003. February, March, and April 2003 bank statements were not reconciled. Without reconciling the bank accounts timely, the town cannot be assured that all receipts and disbursements have been recorded which is important in preparing timely and accurate monthly financial statements. Also, the town may be unable to recover from the bank any monies resulting from any unauthorized signatures or alterations on checks.

The town should implement procedures requiring timely preparation and supervisory review and approval of all bank reconciliations.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

**2003-07 Need to Improve Controls Over
Receivables and Customer Meter Deposits**

The town needs to improve controls over Utilities and Sanitation Fund (water, sewer, and garbage) receivables and customer meter deposits. Our review revealed the following:

- There are no detailed written procedures for accounting for and processing receipts, billings, and customer meter deposits of the Utilities and Sanitation Fund.
- The Utilities and Sanitation Fund accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable customer listing. At March 31, 2003, the general ledger balance totals \$293,186, and the detailed accounts receivable customer listing totals \$484,617, a difference of \$191,431. In addition, the detailed accounts receivable customer listing (\$484,617) includes accounts totaling \$257,533 that the town has determined to be uncollectible. However, we could find no formal board action to authorize the write-off of these accounts or any journal entries made writing these accounts off and there is no evidence that the town is actively trying to collect these accounts (see finding, *Insufficient Effort to Collect Delinquent Utility Accounts*). Because of the inadequate accounting records, we were unable to determine the accounts receivable balance and related allowance for uncollectible accounts at March 31, 2003.
- The meter deposit bank account balances and customer deposit liability account balance in the general ledger are not reconciled monthly with the detailed listing of customers' meter deposits. At March 31, 2003, the cash balances in the meter deposit bank accounts total \$109,173, the customer deposits payable in the general ledger total \$84,660, and the customer deposits in the detailed accounts receivable customer listing total \$104,090, differences ranging from \$5,083 to \$24,513 from the cash balances in the meter deposit bank accounts.
- The town is not reconciling the units of water produced with the units of water billed to customers. Reconciling production with units consumed (billed) would provide information relating to significant leaks in the water lines, inaccurate meters or meter readings, and unauthorized or non-metered water usage.
- The Utilities and Sanitation Fund clerk performs a variety of duties relating to fund receivables and customer meter deposits that are incompatible for a proper system of checks and balances. This employee enters meter readings into the computer system, prepares the customers' bills, collects payments and customer meter deposits, posts the payments in the system, makes customer billing adjustments, and prepares the bank deposit.
- More than one employee is using the same cash drawer to collect payments.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

- We were informed by the town clerk that when the cash drawer does not balance to \$100 (cash shortage), money may be taken from the petty cash fund to balance the cash drawer.

The town should (1) prepare detailed written procedures for accounting for and processing Utilities and Sanitation Fund receipts, billings, and customer meter deposits; (2) reconcile the accounts receivable balances in the general ledger with the detailed accounts receivable customer listing on a monthly basis; (3) reconcile the customer meter deposit detailed listing to the related general ledger bank account balances and customer deposit liability on a monthly basis; (4) reconcile units of water produced with units consumed periodically and investigate differences in excess of expected water leakage; (5) separate the cash collection duties of the Utilities and Sanitation Fund clerk from the posting of payments and preparation of the bank deposit; (6) require the mayor or town clerk to approve all billing adjustments before they are made; (7) require that each employee that collects payments to have his/her own cash drawer; and (8) prohibit employees from taking money from the petty cash fund to balance their cash drawer.

**2003-08 Insufficient Effort to Collect
 Delinquent Utility Accounts**

The town is not following its policy for collecting delinquent utility (Utilities and Sanitation Fund) accounts. The town's cut-off policy provides that if customers do not pay their bill on or before the fifteenth day of the month, the town may immediately discontinue the services. Continuing to provide services after the cut-off date and not actively trying to collect delinquent utility account balances is prohibited by Louisiana's constitution (Article VII, Section 14(A) of the Louisiana Constitution of 1974). In addition, the continued operation and quality of service provided to customers depends on the town collecting for the services it provides.

Our review of customers with balances over \$50 at March 31, 2003 (excluding those customer billings determined to be uncollectible--see next paragraph) revealed that 38 of these customers have balances totaling \$16,867 that are over 90 days past due and they are still receiving services. A total of 64 of these customers have balances totaling \$2,382 that are from 60 to 90 days past due and they are still receiving services. Therefore, the town was not following its cut-off policy and was not actively trying to collect the delinquent utility account balances.

In addition, at March 31, 2003, the town has determined that customer accounts totaling \$257,533 of a total of \$484,617 are uncollectible. On September 9, 2002, the board authorized the mayor to contract with a collection agency for the collection of delinquent accounts. However, the town has no formal contract with the collection agency and the town is not actively trying to collect these delinquent utility account balances.

The town should:

- Enforce its cut-off policies and procedures to ensure that all delinquent accounts are collected on a timely basis or that service is discontinued.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

- Take aggressive action to collect delinquent amounts, including legal action when necessary and using a collection agency.

2003-09 Fixed Asset Records Should Be Complete

Detailed general fixed asset records for equipment are not current, the equipment is not tagged, and physical inventories of these assets are not conducted annually. R.S. 24:515(B)(1) requires the town to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost. Good internal controls over fixed assets require that (1) detailed fixed asset records be current; (2) every asset includes a tag identifying it with a number that can be cross-referenced to the detailed fixed asset records; and (3) a physical inventory be conducted at least on an annual basis.

The town's listing of general fixed assets for equipment is not current or complete. Equipment reported in the general fixed assets account group totaled \$1,316,293 at March 31, 2003. Our tests of these assets revealed:

- A physical inventory was not conducted during our audit period and the last time a physical inventory was conducted may have been several years ago.
- Equipment items are not tagged identifying it with a number that can be cross-referenced to the detailed listing.
- The description of many equipment items is not adequate to properly identify the assets. For example, the description for one item for the street department describes the equipment as "unidentified" with a value reported as \$41,190. Other items list the type of equipment, such as "dump truck" or "chainsaw" without describing the make, model, serial number, et cetera.
- Seventeen items of street department equipment, totaling \$73,103, included on the listing could not be located or does not exist. This represents 34% of the 49 items included on the listing for the street department and 17% of the \$440,390 value.
- Twenty-seven items of police department equipment, totaling \$132,589, included on the listing could not be located or does not exist. This represents 53% of the 51 items for the police department and 58% of the \$228,108 value.
- A 2000 Crown Victoria police car (estimated cost \$21,000) and a 1991 International fire truck (estimated cost of \$100,000) were not included on the listing.

The town should (1) define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets; (2) prepare a detailed list of fixed assets [the list should include the date

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

of purchase and the initial cost and an accurate description of the item]; (3) take a physical inventory at least annually and follow up on items not found during the physical inventory; and (4) identify [tag] assets that belong to the town and include the tag number on the detailed listing of fixed assets.

2003-10 Written Policies and Procedures Are Not Complete

The town's written policies and procedures are not complete. Formal/written policies and procedures are necessary as a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meet management's expectations. Written procedures aid in continuity of operation and for cross-training of staff.

The town does not maintain a policies and procedures manual and there are no detailed, written policies and procedures for the following:

1. Procurement/purchasing process, including how purchases are initiated and approved, and checks and balances to ensure compliance with bid law
2. Preparing, monitoring, and amending the budget during the fiscal year
3. Accounting and processing of receipts and disbursements
4. Accounting for the business and personal use of cellular telephones
5. Investing excess cash, including procedures for ensuring that bank balances and investments are adequately secured
6. Processing payroll, including overtime guidelines
7. Travel, including reimbursement rates for mileage, meals, and lodging
8. Recording and safeguarding of capital assets, including dollar thresholds and types of assets that will be inventoried
9. Storing, issuing, and accounting for traffic tickets and town summonses
10. Recording, maintaining, and disposing of confiscated weapons and drugs
11. Computer contingency and recovery plan in the event of a disaster, including procedures to test the plan periodically

We strongly encourage the development, adoption, and implementation of policies and procedures for these matters.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

2003-11 Need to Improve Controls Over Disbursements

The town needs to improve controls over disbursements. We reviewed 75 disbursements, totaling \$129,513, made during the period from July 1, 2002, through March 31, 2003. Our review of these 75 disbursements, including our general observations and inquiries, revealed the following:

1. There is no written purchasing or disbursement procedures. In addition, a purchase order system is not properly being used by the town.
2. There are no written policies and procedures relating to payroll processing and time/attendance records.
3. The same employee performs a variety of duties relating to cash disbursements that are incompatible for a proper system of checks and balances. The accounts payable clerk receives the invoices, codes the invoices, enters the invoices into the accounting system, prepares and prints the checks, posts the payments to the accounting system, and mails the payments. The treasurer inputs the payroll rates into the accounting system, enters the time and attendance records into the accounting system, prepares the payroll journal and payroll checks, prints the payroll checks, distributes the payroll checks, and reconciles the bank account.
4. There is no computer-generated report that shows all changes made to payroll for a specific period of time.
5. There are no procedures in place to ensure that the bid law is complied with before purchases are made. (See finding, *Public Bid Law Violations*.)
6. The accounts payable clerk could not find the supporting invoice or other supporting documentation for 13 disbursements totaling \$36,581.
7. For four disbursements totaling \$7,206, there was no documentation of approval prior to payment.
8. There was no documentation of the business purpose and the attendees for the payment dated December 30, 2002, totaling \$645. The invoice stated, "Inauguration luncheon for 50."
9. Although city court sessions take approximately one to two hours to complete, police officers receive four hours of overtime pay for attending city court on their day off from work.
10. Police officers are given the option of being paid at 1½ times their base rate of pay or earning compensatory time at 1½ times the overtime hours worked. The town's

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

policies do not address compensatory time, but does provide that hourly employees shall receive overtime pay at 1½ times their base rate.

The town should:

- Develop comprehensive policies and procedures for the purchasing process and for the disbursement of funds. The policies and procedures should, at a minimum, include the following:
 - How purchases are initiated
 - Use of purchase requisitions
 - Approval process for requisitions
 - Preparation and approval process of purchase orders
 - Checks and balances to ensure compliance with the bid law
 - Dollar thresholds that are lower than the bid law where competitive quotes should be obtained to ensure the most favorable prices
 - Documentation to be maintained regarding all bids
 - Bid notification letters that include the contract, plans, and specifications
 - Documentation that the bids were properly advertised
 - Bid opening documentation that include the submitted bids, bid tabulation sheet, and indication of which bid was accepted
- Develop written policies and procedures relating to payroll processing and time/attendance records.
- Require the treasurer to review all accounts payable disbursements before the checks are signed to ensure that funds are budgeted and available, payments are coded properly, documentation is complete (invoice, purchase order, receiving report, valid business purpose, etc.), and invoices are approved. After the checks are signed they should be mailed by someone independent of disbursement responsibilities.
- Require the town clerk to compare the payroll journal to the time reports to make sure the hours were input properly and that the rate of pay and amount earned is reasonable.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

- Require the town clerk or someone independent of the payroll function to review all changes made to payroll at least on a monthly basis (a computer-generated report should be generated that will show all changes that were made to payroll for a specific period of time).
- Restrict access to the accounts payable paid files to only designated employees.
- Pay overtime to police officers for court time based on the number of hours actually present.
- Address the town's practice of allowing the earning of compensatory time at 1½ times the overtime hours worked.

2003-12 Controls Needed Over Gasoline/Diesel

The town is not exercising adequate control over charge cards used by town employees for purchasing gasoline/diesel. Good controls over gasoline/diesel require that only town vehicles are receiving gasoline/diesel, the supporting documentation for gasoline/diesel usage identify the vehicle and include the odometer readings, and the supporting documentation is reviewed promptly for reasonableness (number of gallons received, miles traveled, and miles per gallon).

Most street, utility and maintenance workers and police officers are assigned Advantage gas cards and are given a pin number (password) to enable them to get gasoline/diesel for their town vehicle/equipment.

We selected the January 2003 Advantage bill, totaling \$3,579, for detailed review. Our review revealed the following:

- Vehicle mileage logs are not maintained by town employees.
- The driver does not always record the odometer readings when fueling, resulting in "zero" miles per gallon data.
- We identified five different occasions where employees used their gas card two times in one day. We were informed that workers may use more than one vehicle each day and that reserve police officers do not have gas cards and the officer on duty will fill their car for them.
- The bill is not being reviewed to ensure that the dates of use are reasonable, drivers are entering accurate odometer readings, miles per gallon data are reasonable for the vehicle, and the quantity used is reasonable for the work done for that period.

The town should, at a minimum, require that:

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

- The Advantage cards be assigned to specific town vehicles (not employees) and only used for the assigned vehicle
- A mileage log be maintained in each vehicle assigned an Advantage card
- The driver enter the correct odometer when fueling his/her vehicle
- Management review the Advantage statements to ensure that the number of gallons received, miles traveled, and miles per gallon are reasonable
- Management compare the vehicle mileage log monthly with the Advantage monthly statement

**2003-13 Need to Improve Controls Over
Traffic Tickets and Town Summonses**

Management of the police department is not adequately safeguarding and accounting for traffic tickets and town summonses, and traffic citations are not reported to the Louisiana Department of Public Safety as required by law. In addition, traffic citations were dismissed and/or reduced to a lesser charge without proper documentation as to who authorized this action. Good controls require that the supply of ticket books be locked and that records are maintained that account for the numerical sequence and final disposition of all issued citations. R.S. 32:393(C) requires that the town keep a full report of every case in which a person is charged with a traffic violation and send the report to the Louisiana Department of Public Safety (DPS). R.S. 32:398.3 provides that any person who cancels a traffic citation, in any manner other than as provided by the law, shall be guilty of a misdemeanor, and may be subject to fines and/or imprisonment.

Our review of the police department's traffic tickets and town summonses revealed:

- There are no written procedures for maintaining, issuing, and accounting for traffic tickets or town summonses.
- The supply of traffic/summonses ticket books is stored in a box in the police chief's office where all officers have access to these ticket books.
- The computerized traffic/summonses' system does not allow for the accounting of the numerical sequence of tickets/summonses issued. Without accounting for the numerical sequence of tickets, there is no way to determine whether citations were issued or tickets were lost or voided.
- Fines collected by the police department are not deposited timely. Deposits are made once a month.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

- There is a lack of segregation of duties as the police department secretary/dispatcher is the sole employee involved in imputing the citations in the computerized traffic/summonses' system, updating the system for fines paid and other actions taken, receiving fines, and preparing the bank deposit.
- All officers have access to the computerized traffic/summonses' system when the secretary/dispatcher is not present as there are no security/passwords to get into the system.
- The secretary/dispatcher performs the computer system backup only once a week.
- Traffic tickets are not reported to DPS. Failure to report these violations to DPS results in inaccuracies in the offenders' driving records and is in violation of state law. The police department secretary informed us that the only report filed with DPS is to request a suspension of drivers' licenses when fines are not paid.
- Our review of the final disposition for 16 citations issued during March 2003 disclosed the following:
 - Three of the 16 citations were dismissed and one of the 16 citations was reduced to a lesser charge. There is no documentation as to who authorized this action. The citations were not included on the court docket and there is no documentation in the court minutes that the magistrate took this action (the town magistrate is the only authorized person by law that can reduce or dismiss a citation).
 - Two of the 16 citations could not be found.

Management of the town should:

1. Prepare written procedures for maintaining, issuing, and accounting for traffic tickets and town summonses.
2. Require that the supply of ticket books be stored in a locked cabinet with access limited to only authorized individuals.
3. Account for the numerical sequence of all citations issued and the final disposition of those citations monthly.
4. Require that fines collected be deposited daily.
5. Separate the functions of record keeping for citations and collecting fines and preparing deposits.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

6. Limit access to the computerized traffic/summonses' system to only authorized individuals by using appropriate security measures.
7. Require that the computer system backup be done daily.
8. Comply with state law and report all appropriate traffic violations to DPS. In addition, management of the town should contact DPS to determine what action should be taken for previous unfiled traffic violation reports.
9. Require that when citations are dismissed/reduced, that this be done only when city court is in session where the process is documented in the court minutes and the town magistrate authorizes the action.

2003-14 Need to Improve Controls Over Confiscated Weapons and Drugs

The town's police department does not have adequate controls over confiscated weapons and drugs. Failure to maintain control over evidence increases the risk that weapons and drugs will be stolen, lost, or disposed of improperly. The following matters were noted:

- There are no formal policies and procedures for recording, maintaining, and disposing of evidence (weapons and drugs).
- Inventory records are not maintained for evidence maintained.
- Several items were tagged for identification purposes; however, most of the evidence in the storage room was not tagged.

Because the police department did not maintain inventory records, we could not determine how many weapons were confiscated throughout the year or how many weapons were ultimately returned to individuals, transferred to other law enforcement agencies, lost, stolen, or otherwise disposed of during the year. In addition, we could not determine the amount and type of drugs confiscated throughout the year and the disposition of those confiscated drugs.

The chief of police should (1) prepare written policies and procedures for recording, maintaining, and disposing of evidence; (2) perform an inventory and tag all evidence; and (3) maintain a log that includes the date confiscated, tag number, description of the weapon/drug, name of the individual from whom confiscated, reference to the arrest report, and final disposition.

2003-15 Failure to Report All Funds of the Town

The town failed to report the Special Events Fund in its financial statements. Also, the town failed to maintain complete financial records for this fund. Reporting all funds of the town and

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

maintaining complete financial records is necessary to (1) provide evidence that town officials have fulfilled their stewardship responsibilities; (2) properly reflect and account for the receipt and disbursement of funds; (3) demonstrate the town's compliance with applicable laws and regulations; and (4) present fairly the financial position and results of operations of the town. R.S. 44:36 requires the town to exercise diligence and care in preserving public records.

During our audit we became aware of the Town of Homer Special Events Fund checking account that was not previously reported in the town's financial statements. Although the fund was closed on June 7, 2002, which is not included in the time period of our audit (July 1, 2002 - March 31, 2003), the omission of reporting all funds and maintaining complete financial records is a serious matter. The following summarizes the information that we were provided regarding the Town of Homer Special Events Fund:

- Checks required two signatures and were signed by the former mayor (David Aubrey) and the former town clerk (Lana Pugh).
- The records began with a cash balance of \$1,547 on December 26, 2000. Therefore, the records provided to us were not complete.
- Total receipts from December 26, 2000, through June 7, 2002, totaled \$3,207 as follows:
 - Donations from a consulting engineer totaling \$1,375
 - Receipts from the Taste of Homer cookbook sales totaling \$1,832
- Total funds expended from December 26, 2000, through June 7, 2002, totaled \$4,754. An example of the expenditures included:
 - \$500 for 10 banquet tables
 - \$329 for a retirement party for an employee
 - \$302 for a reception for an employee
 - \$250 donation to Claiborne Boys & Girls Club
 - \$275 baseball sponsorship and donation to Mt. Olive Christian Academy

The funds were used primarily for expenditures that the town is prohibited from making (e.g., retirement parties, employee receptions, donations, et cetera). The former mayor informed us that this fund was not a town fund and that the town clerk maintained the records as a courtesy.

In the future, the town should report all funds of the town and maintain complete financial records.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

**2003-16 No Contingency and Recovery Plan and
Computer Backup Tape Is Not Stored Offsite**

There is no written contingency and recovery plan in the event of a disaster. In addition, the computer backup tape containing the town's financial records is not stored offsite. In the event of a disaster (e.g., fire, flood, et cetera), a contingency and recovery plan is necessary to enable the town to recover and continue operations. Computer system backup tapes are stored offsite in case a disaster occurs at the town.

Although the treasurer performs the computer system backups daily, the backup tapes are kept in her office.

The town should develop a written contingency and recovery plan and test it periodically to ensure that it works as planned. The treasurer should store the computer system backup tape offsite.

**2003-17 Funds Collected Not Deposited, Records Not
Maintained, and Fees Charged Not Approved**

Building permits and inspection certificates are not controlled, resulting in at least \$2,753 of fees not deposited in the town's bank account. Permit and inspection records were not maintained in accordance with state law. In addition, certain fees charged for permits and inspections were not approved by the board. Good internal controls require that proper checks and balances be incorporated in the permit and inspection record keeping procedures. Failure to maintain control over receipts and related records increases the risk that town funds will be stolen or misappropriated.^{1,2}

Funds Collected Not Deposited

The town's building inspector (inspector) is the sole employee responsible for (1) issuing town permits and inspection certificates; (2) collecting the permit and inspection fees; and (3) maintaining the related records. Permit and inspection certificate records provided to us by the inspector reflect that, from January 16, 2002, through September 30, 2003, he collected at least \$4,301; however, only \$1,548 (36%) of those collections was deposited into the town's bank account. Therefore, according to town records, permit and inspection fees totaling \$2,753 (64%) are missing for this period of time.

The inspector informed us that he collects the money for town permits (building, plumbing, and electrical) and inspections (plumbing, electrical, and gas) and has been doing so for approximately nine years. The inspector told us that he collects the money at his office (located at the town's fire station), issues the permit or inspection certificate to the customer, and prepares an invoice to

¹ **R.S. 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

² **R.S. 44:36** requires the town to exercise diligence and care in preserving public records for a period of at least three years from the date on which the public record was made.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Continued)

submit with the money to the town hall for deposit into the town's bank account. He said he takes the invoice and money to the town hall and places it on an office employee's desk or gives it directly to one of them.

The owner of a plumbing company informed us that the inspector called his office on Thursday, September 25, 2003, and told them to make the check (\$525) for the plumbing permits payable to him (inspector). The plumbing company voided the check made payable to the town and reissued a \$525 check made payable to the inspector and hand delivered the check to the town hall on the same day (Thursday, September 25, 2003). The town clerk told us that she informed the inspector, on the same day, that she had this check made out in his name. She said the inspector told her that he did not instruct the plumbing company to make the check payable to him and that this was the first time that a check had been written to him. The town clerk said the inspector took the check and said he needed to fill out the invoice and paperwork. On Monday, September 29, 2003 (four days later), the inspector came to the town hall with \$525 in cash for the permits, which was then deposited into the town's bank account.

On October 7, 2003, the inspector told us that this incident (on September 25, 2003) with the plumbing company was the first time that a check was made payable to him for permit and inspection fees. However, our subsequent review of available permit and inspection certificate records (see Records Not Maintained) and interviews with customers revealed that at least four additional checks were made payable to the inspector, totaling \$545, during the period from January 2002 through September 2003. We obtained copies of the back of three of those four checks made payable to him for permits and inspections and all reflected the inspector's signature/endorsement. According to town records, none of the four checks (or cash) were deposited into the town's bank account during that period. In addition, five other customers informed us that they gave cash, totaling \$983, to the inspector for their permits and inspection certificates. According to town records, none of the cash collected from those five customers was deposited into the town's bank account.

The inspector told us that all money he collected was brought to the town hall. However, he has verbally agreed to repay the money.

Town hall employees informed us that, except for the \$525 cash brought in on September 29, they have never received cash from the inspector for the payment of permits and inspections. They told us that checks have been received from the inspector, but that they were always made payable to the town.

Records Not Maintained

The permit and inspection records provided to us by the inspector were not complete, as required by R.S. 44:36. The inspector informed us that, with the exception of the building permit records, he throws away all of the other town permit and inspection certificate records (plumbing, electrical, and gas) at the end of each year. Our review of his building permit records revealed that permits were not maintained in numerical order and numerous were missing. For example, his records included only one building permit issued in 2003. The inspector told us he did not know where the other permits were or what happened to them.

TOWN OF HOMER

Homer, Louisiana

Financial Statement Findings, March 31, 2003 (Concluded)

Fees Charged Not Approved

We found no documentation of board approval for certain permit and inspection fees being charged by the inspector. The inspector provided us a one-page partly typed and partly handwritten rate/fee schedule that he said was used in issuing town permits and inspection certificates. He told us that the board set these fees a few years ago. He informed us that in addition to amounts written on the rate schedule for electrical and plumbing inspections, he charges an additional \$35 for an electrical inspection and an additional \$40 for a plumbing inspection (neither amount shown on the schedule).

In addition, he said that the \$10 fee shown for an electrical permit had increased to \$30 and that the \$15 fee shown for a plumbing permit had increased to \$35. However, neither he nor the town clerk was able to provide us with documentation of board approval for these permits and inspection fees charged.

The town should:

- File a theft report with the police department and insurance carrier.
- Discuss with the town attorney civil action to recover the missing fees.
- Strictly prohibit the town inspector from collecting money. All collections should be centralized and controlled at the town hall.
- Require that permit and inspection records be reconciled to deposit records.
- Require that all permit and inspection records be preserved in accordance with state law.
- Require board approval for all permit and inspection fees/rates.
- Develop written policies and procedures for issuing permits and making inspections.
- Discuss with the city attorney civil action to recover the missing fees.

Appendix D

Federal Award Findings

TOWN OF HOMER
Homer, Louisiana

FEDERAL AWARD FINDINGS
For the Nine Months Ended March 31, 2003

2003-18 Noncompliance With Debt Agreements

The town failed to fully comply with the “Letter of Intent to Meet Conditions” agreements of its water and sewer revenue bonds (CFDA 10.760). The town (1) charges water and sewer rates that are substantially less than the minimum rates mandated; (2) has not established a separate water and sewer rate structure for its residential and commercial customers as required; and (3) did not maintain insurance coverage on its water and sewer facilities. The U.S. Department of Agriculture - Farmers Home Administration (FmHA) “Letter of Intent to Meet Conditions” agreements provide specific guidelines that the town must comply with to provide assurances that the town is able to meet its debt payments. The agreements require the town, among other things, to establish specific minimum water and sewer rates for residential and commercial customers, and to maintain insurance on the water and sewer facilities/systems to protect the financial interest of the FmHA.

The town incurred debt by issuing (1) \$1,200,000 of sewer revenue bonds in 1988; (2) \$1,201,000 of water revenue bonds in 1994; and (3) \$590,000 of sewer revenue bonds in 1996. The purpose of this debt was for making certain additions and improvements to the town’s water and sewer facilities. At March 31, 2003, the town owes a total of \$2,708,856 for these bond issues.

Under the terms of these loans, the town agreed to meet the requirements of the FmHA’s “Letter of Intent to Meet Conditions” agreements. However, we determined that the town was not fully complying with all requirements as follows:

Water and Sewer Rates Are Substantially Less Than Mandated, and Separate Rate Structure Not Implemented for Residential and Commercial Customers

At March 31, 2003, the town’s monthly water and sewer rates were substantially less than mandated and were the same for residential and commercial customers, as follows:

Water Rates

- \$2.80 per one-thousand (1,000) gallons or part thereof for in-town customers
- \$4.00 per 1,000 gallons or part thereof for out-of-town customers

Sewer Rates

- \$2.15 per 1,000 gallons or part thereof for in-town customers
- \$4.10 per 1,000 gallons or part thereof for out-of-town customers
- \$5.00 surcharge

TOWN OF HOMER

Homer, Louisiana

Federal Award Findings (Concluded)

The “Letter of Intent to Meet Conditions” agreement requires the town to implement the following water and sewer rates for its residential and commercial customers:

Water - Residential Rates

- \$10.00 per month for the first 2,000 gallons
- \$1.50 per 1,000 gallons or part thereof of the next 3,000 gallons
- \$1.75 per 1,000 gallons or part thereof over 5,000 gallons

Water - Commercial Rates

- \$45.00 per month for the first 30,000 gallons
- \$1.00 per 1,000 gallons or part thereof of the next 20,000 gallons
- \$1.50 per 1,000 gallons or part thereof over 50,000 gallons

Sewer - Residential Rates

- \$11.00 per month for the first 2,000 gallons
- \$2.95 per 1,000 gallons or part thereof over 2,000 gallons

Sewer - Commercial Rates

- \$75.00 per month for the first 30,000 gallons
- \$2.50 per 1,000 gallons or part thereof over 30,000 gallons

No Insurance Coverage on Water and Sewer Facilities

The town does not carry insurance coverage on its water and sewer facilities/systems as required under the agreements. The town is required to maintain insurance in type and amount as necessary to protect the FmHA’s financial interest and to maintain adequate coverage for the life of the loans.

We suggest that the town immediately notify the U.S. Department of Agriculture - Farmers Home Administration of its “Letter of Intent to Meet Conditions” agreement violations and obtain guidance for their resolution. In addition, the town should notify the Louisiana Bond Commission of these agreement violations.

Appendix E

Schedule of Prior Audit Findings

**Town of Homer
Homer, Louisiana**

SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2002

There was one finding related to the financial statements for the prior year ended June 30, 2002, as follows:

2002-1	Actual expenditures in two special revenue funds (Industrial Development and Recreation Department) exceeded budgeted expenditures by more than 5%.	Financial statements were not prepared timely resulting in management failing to adequately use the town's budget to effectively exercise its fiduciary responsibilities of managing the town's fiscal operations. See finding 2003-05.
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There were seven management letter comments for the year ended June 30, 2002, as follows:

1.	The town did not have updated fixed asset records.	Unresolved. See finding 2003-09.
2.	Payroll liabilities shown on the master bank fund and the general fund were not reconciled to actual liabilities.	Resolved.
3.	The accounting department was not accounting for the numerical sequence of traffic tickets. Also, the police department collects payments for traffic tickets and makes the related bank deposits.	Unresolved. See finding 2003-13.
4.	The town does not have a formal written travel policy.	Unresolved. See finding 2003-10.
5.	The town was not preparing budgetary financial statements on a routine basis during the year.	Unresolved. See finding 2003-05.
6.	The Utilities and Sanitation Fund maintained a negative (\$119,368) unrestricted cash balance at June 30, 2002.	Unresolved. See finding 2003-01.
7.	The town did not authorize the opening of a bank account by the Homer Historic District and did not control the activity in the account.	Resolved.

Appendix F

Management Letter



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

August 29, 2003

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**
Homer, Louisiana

We have audited the primary government financial statements of the Town of Homer (town), as of and for the nine months ended March 31, 2003, and have issued our report thereon dated August 29, 2003. As a part of the audit, we noted certain matters that we want to bring to the attention of management for its consideration. We offer the following comments and suggestions for the town's consideration:

1. Cash Receipts:
 - a. To improve controls over cash receipts, we suggest that the town use a cash register for receiving payments from customers at town hall.
 - b. Tickets or some type of counting device should be used to provide controls over the collection of swimming pool fees. The number of swimmers should be reconciled with the amount of fees collected.
 - c. Checks received for deposit fees for the rental of the town auditorium are not deposited into a town bank account. These checks are maintained in the town's safe and are returned after the event is completed. We suggest that the checks be deposited into a town bank account and if the deposit is refunded, the town should issue a town check. Also, formal records should be used to record the reservation/use of the auditorium and fees earned.
 - d. Personal use of the postage machine should be prohibited. We observed on June 27, 2003, that there was \$7.60 in cash not in the cash drawer. The town clerk informed us that this was money collected from employees that used the postage machine for their personal use.
2. Homer Golf Club - Management Agreement:
 - a. The management agreement with the Homer Golf Club should be amended for the change from providing a town employee for the maintenance of the premises to paying \$15,000 each year to the Homer Golf Club, as adopted by the town in its regular meeting on June 7, 1993.
 - b. The town should obtain annual financial statements as required in the management agreement. The most recent statements provided to the town are for 1999. Also, the town should review the Homer Golf Club statements each year to determine if its management agreement is appropriate and whether the \$15,000 fee is reasonable.

LEGISLATIVE AUDITOR

**HONORABLE HUEY DEAN, MAYOR,
AND MEMBERS OF THE BOARD OF SELECTMEN
TOWN OF HOMER**

Management Letter, August 29, 2003

Page 2

- c. There is no provision in the management agreement that requires the Homer Golf Club to maintain adequate insurance, including general liability insurance. The Homer Golf Club should provide proof of this insurance to the town annually.
3. The lease agreement between the town and Herbert S. Ford Memorial Museum should include a provision that the museum maintain adequate general liability insurance and provide proof of this insurance coverage to the town annually.
4. Personnel folders should be maintained on all town employees in a central location. We found that the town did not maintain personnel folders for all part-time employees and volunteer firemen.
5. The meter reader should be strictly prohibited from reading his own meter.
6. There is no formal plan for the town to promote or market the town's airport terminal space.

This letter is intended for the information and use of the management of the Town of Homer and is not intended to be, and should not be, used by anyone other than management. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

ESS:GLM:GCA:ss

[HOMER03]

Attachment I

Management's Corrective Action Plans and Responses to the Findings and Recommendations

Town of Homer

400 East Main
Homer, Louisiana 71040
(318) 927-3555 or FAX (318) 927-3399
Mayor Huey Dean

October 20, 2003

Grover C. Austin
Office of Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

RE: Amended Responses

Dear Mr. Austin:

We have received your preliminary draft of the auditors findings and suggestions and we issue the following responses and plans of corrective actions.

2003-1

Noncompliance with Sales Tax Ordinances -

The money is deposited into the master bank account. This account is one bank account in which the computer system, created by Software & Services of Shreveport, LA, then maintains the respective share of the money that belongs to each fund. This software is used by many municipalities. It was the Town's understanding that this accounting by the computer system constituted a separate bank account as defined in Section 13.01 of the ordinance provided properly account for the allocation of funds. If this practice is still not acceptable, the Town will set up a separate account and make transfers from each account into the master account. The Town concurs that allowing the enterprise fund to run a negative cash balance without a clear indication of the means to pay the funds back constitutes use of dedicated sales tax money since the undedicated General Fund balance cannot cover the negative balance in the utility fund. The Town will set up a repayment plan for the enterprise fund to begin paying back its debt.

2003-02

Property Sold Without Properly Notifying Public -

We are in agreement with this finding and in the future the Town will follow the proper legal requirements to dispose of Town property.

2003-03

Donating Town Funds -

The mentioned items were considered by Town officials to be economic and community development costs that benefit the general public. The Town will establish files which contain proper cooperative endeavor agreements and documentation of use of the funds. In addition the officials will be made aware of the three elements that must be met to have a valid cooperative endeavor agreement.

2003-04

Public Bid Law Violations -

The Town has not considered it to be feasible or required to bid the items mentioned. The Town officials have attempted to maintain business with Town vendors if possible. Due to the size and location of the Town, Town officials determined the gas purchases from a local vendor was the most economical and feasible. Town officials buy on an as need basis, therefore to obtain quotes would be extremely difficult due to not knowing exactly how much would be needed. If this requirement must be met the Town will piggy back off the State bid list.

2003-05

Financial Statements Not Prepared Timely -

This finding was as a result of turnover in the office staff during the period in question. The Towns computer system will prepare budget vs. actual statements if properly used. The Town personnel will receive training from Software and Services on procedures to enter budget and print monthly financial statements. Town office personnel will be given a date that the prior months bank reconciliation is to be prepared and the budget vs. actual comparison printouts will be presented to the Mayor and Council.

2003-06

Bank Statements Should Be Reconciled Timely -

See comments on item 2003-05

2003-07

Need to improve Controls Over Receivables and Customer Meter Deposits -

The Town agrees with this recommendation. Written procedures for the accounting department will be established. The Town acknowledges the balance in the monthly master trial balance is incorrect due to computer program errors. The Town will request the software be corrected and if not, new utility billing software will be reviewed for possible purchase. As part of the accounting procedures the Town will print out monthly meter deposit listings and reconcile the general ledger bank account and meter liability to this balance.

2003-08

Insufficient Effort to Collect Delinquent Utility Accounts -

The Town has recently adopted a new water policy that will hopefully help stop water theft and

collection of outstanding bills. More attention will be paid to the collection of bills and those that are eligible will be turned over to a collection agency for collection.

2003-09

Fixed Asset Records Should be Complete -

Town officials acknowledge the fixed asset listing has been a comment in audit reports in the past. Due to the Town's size and amount of personnel turnover, it has been difficult to have a person responsible for verification of the asset listing. The Town will take the existing fixed asset listing as recommended in item 2003-09 and designate the Town personnel position responsible for maintaining and updating this list and inventory each year.

2003-10

Written Policies and Procedures Are Not Complete -

The Town agrees will this recommendation and will work to develop a general policy and procedure manual and a accounting policy and procedure manual.

2003-11

Need to Improve Controls Over Disbursements -

The Town agrees will this item and will address establishing a formal policy and procedures manual.

2003-12

Controls Needed Over Gasoline/Diesel

The Town will establish procedures where department heads will sign log on use of advantage cards prior to payment of charges. Cards will also be assigned to vehicles rather than to individuals.

2003-13

Need to Improve Controls Over Traffic Tickets and Town Summonses -

Chief will take appropriate actions to secure tickets and summonses.

2003-14

Need to Improve Controls Over Confiscated Weapons and Drugs -

Chief will establish a new tag policy and arrange for proper storage of confiscated items.

2003-15

Failure to Report all Funds of the Town -

All bank accounts belonging to the Town will be recorded in the Town's financial system.

2003-16

No Contingency and Recovery Plan and Computer Backup Tape Is Not Stored Offsite -

Town will begin establishing a written contingency and recovery plan and will secure a location to store backups offsite.

2003-17

Building and Inspection Certificates are not controlled -

After consulting with the Town attorney, the Town will follow all suggestions to investigate and make changes to the collections and records retention policies concerning permits and inspections.

2003-18

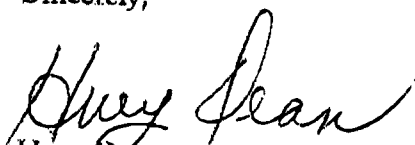
Noncompliance With Debt Agreements -

Town acknowledges that the rates are below the amount required by USDA. The Town will send a letter to USDA asking for formal concurrence with the existing rate structure.

We also will take the comments and suggestions from the management letter under advisement and try to incorporate these when possible.

We hope that these responses are appropriate and will satisfy your requirements until we can address these matters more publicly. Should you need any additional information, please don't hesitate to contact us.

Sincerely,



Huey Dean

Mayor

HD/pb

Attachment II

Former Mayor's Response

October 3, 2003

Mr. Grover Austin
Office of the Legislative Auditor
Baton Rouge, LA 70804

Dear Grover:

Thank you for giving me an opportunity to respond to this special audit performed by your office as requested by Mayor Huey P. Dean with the assistance of Senator Robert Barham. While I was not privy to a copy of the draft as the current mayor, I will attempt to respond as best as I can with the notes I took during my hour-long meeting with Gary McCrery and Eric Sloan of your office on September 19, 2003.

I would also like to commend these two experienced auditors on the thoroughness of this report and the professional discipline they took in evaluating the town's records over the last few months. And while I realize, they were told all sorts of crazy allegations as to past management practices, your representatives showed due diligence and proper respect in inquiring about such incidents. I believe this report is a great tool for the new administration to use to improve their operations. As a whole, this report showed the past administration had begun making decisions that certainly had the town focused on the right areas. The report also showed the new administration needs to carefully research issues before voting them into action. In summary, your field auditors represented your office well; I only wish they could have completed a full 12-month audit as opposed to 9-months.

The following are my responses to the findings noted in the draft report. Again, I am responding according to notes taken during my one-hour visit on September 19, 2003.

2003-01 Sales Tax Ordinance

- The issue of the bank accounts being in a masterbank fund is one that goes back to 1998 before I served as mayor. The mayor (Huey Dean), town clerk (Linda Dean) and town bookkeeper (Susan Herring) made the decision to consolidate 13 bank accounts to approximately (5). The town purchased new software and hardware that was Y2K compliant in 1998 and started with the masterbank concept in 1999. The employee who handled this was Susan Herring who worked with Software and Services. She currently serves as editor of the local weekly newspaper and serves on the town's finance committee. She previously served on the town council for a number of years.

- After reviewing the details of the sales tax ordinances (#1 & #2), I concur that the bank accounts need to be separated.
- The utility fund has always fluctuated in recent years causing the fund to borrow from the other funds in the masterbank account.
- I concur with the finding that the utility fund needs to be self-sufficient by either cutting expenses or raising revenue.

2003-02 Property Sold With/Without Properly Notifying Public (COKE PLANT)

- This matter obviously occurred after December 31, 2002; therefore, I render no opinion on the matter. However, this was an issue on many items prior to 1999 under Mayor Dean's first term.

2003-03 Donating Town Funds

- In principle, I concur that the town cannot donate its assets. However, the Claiborne Boys & Girls Club entered into a Cooperative Endeavor Agreement almost identical to the cities of Natchitoches and Minden. The Chamber of Commerce, Claiborne Economic Development Board, and Ford Museum have all had a financial relationship with the town for many years. Some of the agreements were revised in 1999, but the council believed any funds issued to those entities served a public purpose.
- I do not believe the funds transferred to the above-mentioned entities violates the law explicitly; however, maybe it is worth exploring the need to update the necessary agreements between the entities and the town.

2003-04 Public Bid Law

- I concur with the finding that the town needs to establish policies and procedures for acquiring goods and services that comply with the public bid law. Specifically, the arrangement between Emerson Oil and the Town of Homer predates 1999 and was only continued in that fashion.

2003-05 Financial Statements Not Prepared Timely

- As of December 31, 2002, all monthly financial statements were prepared and verified by the CPA firm of Jamieson, Wise, & Martin.

2003-06 Bank Statements Should Be Reconciled Timely

- As of December 31, 2002 all bank statements received had been reconciled to the monthly financial statements.

2003-07 Need to Improve Controls over Receivables and Customer Meter Deposits

- I concur with this finding. This had been a problem for many years and the past administration put emphasis on collecting outstanding debt owed the town.

2003-08 Insufficient Effort to Collect Delinquent Utility Accounts

- I do not concur with this finding up to December 31, 2002. Numerous measures were being taken to collect on delinquent utility accounts. Proposals were taken from collection agencies, discontinuance of service, and other means were taken. The establishment of a Department of Public Works helped to improve collections without increasing staff/personnel. By working with the business office, the efficiency of town operations improved tremendously.

2003-09 Fixed Asset Records Should Be Completed

- The records of fixed assets were being kept by the town clerk. The town has never had a policy on determining which items to list in what fashion; therefore, I concur with this finding.

2003-10 Written Policies and Procedures Are Not Complete

- This is an on-going problem that dates back many years. I concur with the finding.

2003-11 Need to Improve Control over Disbursements

- No disbursements were made without an attachment or explanation during my term. I concur with the finding.

2003-12 Controls Needed Over Gasoline/Diesel

- I concur with this finding because I use to personally examine the invoices that the auditors have noticed. More control is definitely needed now.

2003-13 Need to Improve Controls Over Traffic Tickets and Summons

- I concur with is finding. It was mentioned in the 2002 audit.

2003-14 Need to Improve Control over Confiscated Weapons and Drugs

- No response.

2003-15 Failure to report ALL Funds of the Town (Special Events)

- I disagree with this finding. This fund was established after a considerable amount of cash was collected from a Taste of Homer fundraiser and from

employee donations to a flower fund. It was used to support community projects and functions that budget funds could not. Although the report lists 10 banquet tables, other equipment was purchased also. This fund had no budget because you had no recurring revenue nor anticipated expenditures for activities. The consulting engineers chose to help community charities rather than host a Christmas party for their clients. Upon assuming office, the town kept its flower fund cash in an envelop in the safe. I truly believe that this checking account provided a better system of tracking the deposits and expenditures.

- I am aware of other governmental entities that have such a fund to support projects similar to these. The clerk agreed to maintain the account as a courtesy, not a requirement.

2003-16 No Contingency and Recovery Plan and Computer Backup Tape Is Not Stored Offsite

- I concur with the finding. During my service, back-up tapes were to be stored in the safe and Software and Services were to save the records at the Shreveport office weekly. If this was not done, I was not made aware.

2003-17 Non-compliance With Debt Agreement <Utility Rates>

- This issue was addressed in the early 1990's and we only followed established practices and procedures. If that had not been done, I concur with this finding.

In summary, I have tried to respond to the findings as best as I could with limited access to technical information. I hope the new mayor and council appreciates the efforts of the legislative auditor's office as I do. The town of Homer can certainly become more financially responsible if heed is taken to the recommendations suggested by our office.

Thank you for giving me an opportunity to respond as I requested. I did not have the opportunity to obtain input from the former clerk, treasurer, nor council members.

Best Wishes!

Sincerely,



David J. Aubrey

xc: Senator Robert Barham
 State Representative Richard Gallot, Jr.

To: Mr. Grover Austin
Office of the Legislative Auditor

From: David J. Aubrey



Date: October 21, 2003

Re: Additional Finding Response

Again, thanks for the opportunity to respond to the preliminary draft of the audit report that is expected to be released soon. My responses are not based on the opportunity to review official records at city hall, but only after reading the summary of activities as described by the field auditors during their test work. No staff of aldermen (current or former) were consulted prior to preparing this and other responses by me.

After reading the draft of the new finding "2003-17", the following response is being submitted:

2003-17 **FUNDS COLLECTED NOT DEPOSITED, RECORDS NOT MAINTAINED, AND FEES CHARGED NOT APPROVED**

Response: The fee schedule for permits and inspections was not addressed during my tenure as mayor and should not have changed during that time. I was not aware that it had not been approved before assuming office in Jan. '99. The inspector served a dual role as Town Inspector/Purchasing Agent in the administration prior to my assuming office (under Mayor Dean's first term) and was relieved of any and all duties that pertained to purchasing. I do recall that the inspector had worked on a survey of neighboring municipalities and the role the inspector played in their governance. It did include some issues of fees as I recall. However, it was never addressed by the council.

With respect to funds collected not deposited, this should never have occurred because the inspector only was to issue permits and conduct inspections. The issuance and collections of funds was to occur only at the business office of the town. On numerous occasions this matter was addressed in staff meetings of which the inspector was notified. The only instance to my knowledge that he would collect funds was if he was called out on the weekend for a burial plot in the town-owned cemetery. If the individual who conducted family business could not be available for the next business day, then the inspector could receive payment in this instance and turn the funds in the business office on the next working day.

No employec was permitted to take cash without being given a receipt from the business office. Again this matter was repeated over and over to employces, especially those who worked away from city hall. In one instance during my tenure, an employee was disciplined for collecting a water payment while reading the meter during the monthly cycle.

In response to records being maintained, all town records were archived upstairs with the exception of a few in the fire and police departments. Some utility records were kept at the waste-water treatment plant. however, no town records were to be destroyed prior to maintaining them atleast three years.

I concur with the finding that good internal controls would require proper checks and balances in the procedures and practices of the inspector. During my tenure, I am comfortable in saying that controls were instituted to insure these sorts of events did not occur- too many to name. When these events did occur, employees were put on leave until some clarity or true understanding was reached.

Again, thank you for the opportunity to review the draft and submit my responses. There are many instances where record-keeping issues are mentioned throughout this report. The record-keeping at town hall was so bad when I assumed office in January 1999, we had to make drastic changes in procedures and personnel. Dutics were segregated among the staff and there were checks and balances. It appears that the improvements were short-lived and that the necessary changes were deemed not worthy. Disbursement controls were addressed by Vernon Coon in the Agreed-Upon Procedures audit conducted in 1999 as approved by your office. While not certainly where we desired to be, in four years, record keeping had improved tremendously. I must mention that all disbursements required proper documentation to be attached to a "Check Request" form. I have reason to believe that some of the official town records have been tampered with or distorted when certain officials and staff left office in December 2002. Therefore, I have no response or opinion on certain references to record-keeping.

Best Wishes!