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TOWN OF HOMER, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/10/10

MARSHA O. MILLICAN
CERTIFIED PUBLIC ACCOUNTANT
SHREVEPORT, LOUISIANA

TOWN OF HOMER, LOUISIANA
DECEMBER 31, 2008
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DECEMBER 31, 2008
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Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Honorable David Newell, Mayor
and Members of the Board of Selectmen
Town of Homer, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Homer as of and for the year ended December 31, 2008 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Homer's, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

The financial statements referred to above include only the primary government of the Town of Homer. The financial statements consist of all funds, organizations, institutions, agencies, departments, and offices that comprise the Town of Homer's legal entity. The financial statements do not include the financial data of the Homer Memorial Hospital, a component unit of the Town of Homer, which accounting principles generally accepted in the United States of America require to be reported with the financial data of Town of Homer's primary government. Complete accounting records were not maintained for individual funds to facilitate preparation of fund financial statements in accordance with generally accepted accounting principles. The Town changed its accounting system to Quickbooks effective January 1, 2008. The account balances used as beginning balances for the new system on January 1, 2008 did not agree with the audited balances at December 31, 2007, resulting in individual fund balances at January 1, 2008 not agreeing with the individual fund balances at December 31, 2007. The journal entries required to reconcile fund balance at December 31, 2008 cannot be verified. The Town did not maintain balance sheets for the individual funds for the year ended December 31, 2008. In addition, the Town recorded unrestricted revenue and expenditures of unrestricted revenue in special revenue funds. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the reporting entity of Town of Homer, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, (pages 3-11) for the year then ended in conformity with accounting principles generally accepted in the United States of America.

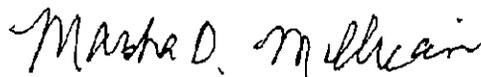
The required supplementary information on pages 22 through 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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In accordance with Government Auditing Standards, I have also issued a report dated July 22, 2009 on my consideration of Town of Homer's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The Town of Homer has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Homer's basic financial statements. The accompanying supplemental schedules and statements listed in the table of contents as other supplementary information (pages 25-31) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are not fairly stated, in all material respects, in relation to the basis financial statements taken as a whole due to the fact that Town of Homer did not maintain complete and accurate accounting records for individual funds for the year ended December 31, 2008 as stated in paragraph three of this report.



Certified Public Accountant
July 22, 2009

TOWN OF HOMER, LOUISIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets			
Cash	\$ 933,805	\$ 223,885	\$ 1,157,690
Accounts receivable	202,078	126,942	329,020
Due from other funds	383,699	-	383,699
Other	19,224	-	19,224
Total Current Assets	<u>1,538,806</u>	<u>350,827</u>	<u>1,889,633</u>
Noncurrent Assets			
Restricted cash	-	464,168	464,168
Due from other funds	-	-	-
Capital assets, net	3,311,356	5,693,587	9,004,943
Total Noncurrent Assets	<u>3,311,356</u>	<u>6,157,755</u>	<u>9,469,111</u>
Total Assets	<u>4,850,162</u>	<u>6,508,582</u>	<u>11,358,744</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable and accruals	69,764	51,548	121,312
Accrued payroll liabilities	-	-	-
Current portion of long term debt	-	54,175	54,175
Other	13,539	-	13,539
Total current liabilities	<u>83,303</u>	<u>105,723</u>	<u>189,026</u>
Noncurrent Liabilities			
Due to other funds	5,272	378,427	383,699
Long-term debt, net of current portion	-	2,377,832	2,377,832
Customer deposits	-	118,913	118,913
Total Noncurrent liabilities	<u>5,272</u>	<u>2,875,172</u>	<u>2,880,444</u>
Total liabilities	<u>88,575</u>	<u>2,980,895</u>	<u>3,069,470</u>
 NET ASSETS			
Investment in capital assets, Net of related debt	3,311,356	3,261,580	6,572,936
Restricted	-	440,507	440,507
Unrestricted	1,450,231	(174,400)	1,275,831
Total Net Assets	<u>4,761,587</u>	<u>3,527,687</u>	<u>8,289,274</u>
Total Liabilities and Net Assets	<u>\$ 4,850,162</u>	<u>\$ 6,508,582</u>	<u>\$ 11,358,744</u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA
STATEMENT OF ACTIVITIES
DECEMBER 31, 2008

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 928,158	\$ -	\$ 25,000	\$ -	\$ (903,158)	\$ -	\$ (903,158)
Public Safety	293,950	-	-	-	(293,950)	-	(293,950)
Highways and Streets	418,968	-	-	-	(418,968)	-	(418,968)
Depreciation	206,642	-	-	-	(206,642)	-	(206,642)
Total Governmental Activities	1,847,718	-	25,000	-	(1,822,718)	-	(1,822,718)
Business-Type Activities							
Utility Fund	1,246,977	1,037,193	-	35,000	-	(174,784)	(174,784)
Total Business-Type Activities	1,246,977	1,037,193	-	35,000	-	(174,784)	(174,784)
Total Primary Government	\$ 3,094,695	\$ 1,037,193	\$ 25,000	\$ 35,000	(1,822,718)	(174,784)	(1,997,502)
General Revenues							
Taxes					1,290,269	-	1,290,269
Licenses and Permits					61,165	-	61,165
Fines					95,423	-	95,423
Miscellaneous					190,101	38,520	228,621
Transfers					(198,923)	198,923	-
Total General Revenues and Transfers					1,438,035	237,443	1,675,478
Change in Net Assets					(384,683)	62,659	(322,024)
Net Assets, Beginning of Year					5,146,270	3,465,028	8,611,298
Net Assets, End of Year					\$ 4,761,587	\$ 3,527,687	\$ 8,289,274

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA

Balance Sheet
 Governmental Funds
 For the Year Ended December 31, 2008

	General	Street	Industrial Development	General and Public Facilities	Other	Total
ASSETS						
Cash	\$ 328,341	\$ 106,423	\$ 325,423	\$ -	\$ 173,618	\$ 933,805
Investments	-	-	-	-	-	-
Receivables	149,209	26,434	8,811	-	17,624	202,078
Due from Other Funds	376,699	-	7,000	-	-	383,699
Other	19,224	-	-	-	-	19,224
Total Assets	<u>873,473</u>	<u>132,857</u>	<u>341,234</u>	<u>-</u>	<u>191,242</u>	<u>1,538,806</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable and Accruals	41,953	19,960	396	-	7,455	69,764
Other Liabilities	13,539	-	-	-	-	13,539
Due to Other Funds	-	-	-	-	5,272	5,272
Total Liabilities	<u>55,492</u>	<u>19,960</u>	<u>396</u>	<u>-</u>	<u>12,727</u>	<u>88,575</u>
Fund Balances	<u>817,981</u>	<u>112,897</u>	<u>340,838</u>	<u>-</u>	<u>178,515</u>	<u>1,450,231</u>
Total Liabilities and Fund Balances	<u>\$ 873,473</u>	<u>\$ 132,857</u>	<u>\$ 341,234</u>	<u>\$ -</u>	<u>\$ 191,242</u>	<u>\$ 1,538,806</u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Fund Balance for Governmental Funds \$ 1,450,231

Total Net Assets for governmental activities in the
statement of net assets is different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

3,311,356

Total Net Assets of Governmental Activities

\$ 4,761,587

The accompanying notes are an integral part of this report.

TOWN OF HOMER LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	<u>General</u>	<u>Street</u>	<u>Industrial Development</u>	<u>General and Public Facilities</u>	<u>Other</u>	<u>Total</u>
REVENUES						
Taxes	\$ 715,439	\$ 277,551	\$ 92,517	\$ -	\$ 204,762	\$ 1,290,269
Licenses and permits	61,165	-	-	-	-	61,165
Intergovernmental	-	-	-	-	25,000	25,000
Fines	95,423	-	-	-	-	95,423
Donations	-	-	-	-	-	-
Miscellaneous	147,527	16,751	3,448	-	22,375	190,101
Total revenues	<u>1,019,554</u>	<u>294,302</u>	<u>95,965</u>	<u>-</u>	<u>252,137</u>	<u>1,661,958</u>
EXPENDITURES						
General government	671,900	-	10,574	-	115,386	797,860
Public safety	547,336	-	-	-	84,235	631,571
Highways and streets	-	418,968	-	-	-	418,968
Public works	-	-	-	-	-	-
Total Expenditures	<u>1,219,236</u>	<u>418,968</u>	<u>10,574</u>	<u>-</u>	<u>199,621</u>	<u>1,848,399</u>
Excess (deficiency) of revenues over expenditures before transfers	(199,682)	(124,666)	85,391	-	52,516	(186,441)
TRANSFERS (TO) FROM OTHER FUNDS	<u>519,243</u>	<u>(54,413)</u>	<u>(373,975)</u>	<u>-</u>	<u>(289,778)</u>	<u>(198,923)</u>
Excess (deficiency) of revenues over expenditures	319,561	(179,079)	(288,584)	-	(237,262)	(385,364)
Fund balance, beginning of year, restated	<u>498,420</u>	<u>291,976</u>	<u>629,422</u>	<u>-</u>	<u>415,777</u>	<u>1,835,595</u>
Fund balance, end of year	<u>\$ 817,981</u>	<u>\$ 112,897</u>	<u>\$ 340,838</u>	<u>\$ -</u>	<u>\$ 331,952</u>	<u>\$ 1,450,231</u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net Changes in Fund Balances - Total Governmental Funds \$ (385,364)

The change in Net Assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (207,323) exceeds depreciation (206,642) 891

Changes in compensated absences reported in the statement of activities does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds (210)

Change in Net Assets of Governmental Activities \$ (384,683)

The notes to the financial statements are an integral part of this statement.

TOWN OF HOMER, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2008

Assets	
Current Assets	
Cash	\$ 223,885
Accounts receivable	126,942
Total Current Assets	350,827
Noncurrent Assets	
Restricted cash	464,168
Due from other funds	-
Capital Assets, Net	5,693,587
Total Noncurrent Assets	6,157,755
Total Assets	\$ 6,508,582
Liabilities and Fund Balances	
Liabilities	
Accounts payable and accruals	\$ 51,548
Current portion of long term debt	54,175
Total Current Liabilities	105,723
Noncurrent Liabilities	
Due to other funds	378,427
Long term debt, net of current portion	2,377,832
Customer deposits	118,913
Total Noncurrent Liabilities	2,875,172
Total Liabilities	2,980,895
Net Assets	
Investments in capital assets, Net of related debt	3,261,580
Reserved for debt service	321,594
Reserved for customer deposits	118,913
Unrestricted	(174,400)
Total Net Assets	3,527,687
Total Liabilities and Net Assets	\$ 6,508,582

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATING REVENUES	
Charges for Services	\$ 1,037,193
Miscellaneous	38,520
Total Operating Revenues	<u>1,075,713</u>
OPERATING EXPENSES	
Personal Services	163,961
Contractual Services	392,746
Utilities	93,630
Materials and Supplies	68,161
Other supplies and expenses	274,560
Depreciation	253,919
Total Operating Expenses	<u>1,246,977</u>
Change in net assets before other revenue and transfers	(171,264)
OTHER REVENUE	
Rural Development Grant	<u>35,000</u>
Change in net assets before transfers	(136,264)
TRANSFERS FROM OTHER FUNDS	
Change in net assets	<u>198,923</u>
Net Assets, Beginning of Year	<u>3,465,028</u>
Net Assets, End of Year	<u>\$ 3,527,687</u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEAR ENDED DECEMBER 31, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 1,085,117
Cash payments to suppliers and employees	(1,035,741)
Other operating income	38,520
Net cash provided by operating activities	<u>87,896</u>
Cash flows from capital and related financing activities	
Rural development grant	35,000
Transfers from other funds	198,923
System improvements	(31,016)
Principal payments on long term debt	(57,005)
Net cash used by capital and related financing activities	<u>145,902</u>
Net increase in cash	233,798
Cash, January 1, 2008 (including \$454,255 in restricted accounts)	<u>454,255</u>
Cash, December 31, 2008 (including \$464,168 in restricted accounts)	<u>\$ 688,053</u>
Reconciliation of changes in net assets to net cash provided by operating activities:	
Changes in net assets before other revenue and transfers	\$ (171,264)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	253,919
Changes in assets and liabilities	
Decrease in accounts receivable	47,924
Increase in due to other funds	-
Decrease in accounts payable	(22,736)
Decrease in customer deposits	(19,947)
Net cash provided by operating activities	<u>\$ 87,896</u>

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Town of Homer was incorporated March 13, 1850, and granted a special charter under the provisions of Act No. 36 of the Louisiana Legislature. The Town operates under a Mayor-Selectmen form of government. The Town's major operations include public safety, streets, recreation and parks, utilities, and other necessary public services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accompanying financial statements of the Town of Homer have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999.

B. Reporting Entity

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

C. Government - Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets, Exhibit A, and the Statement of Activities, Exhibit B) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Ad valorem taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales and use tax revenues are recorded in the month collected by the tax collector. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of capital assets, debt extinguishment, long-term proceeds, et cetera) are accounted for as other financing sources/(uses). These other financing sources/(uses) are recognized at the time the underlying events occur.

Town of Homer reports the following governmental, proprietary and fiduciary funds:

Governmental Funds

Governmental funds account for all or most of Town of Homer's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term obligations.

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. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Special Revenue- Special Revenue funds are used to account for revenue that is legally restricted for specific purposes.

Capital Projects - Capital Projects funds are used to account for financial resources to be used for the acquisition of major capital facilities.

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Town of Homer applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Enterprise Fund - is used to account for operations a) that are financed/operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

Amounts reported as program revenues include a) charges to customers or applicants for goods, services, or privileges provided, b) operating grants and contributions, and c) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

E. Budgetary Accounting

Formal budgetary accounting is employed as a management control. Town of Homer prepares and adopts a budget each year for its general and utility funds in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The Town amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the Town defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

G. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

H. Bad Debts

Uncollectible accounts receivable 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. At December 31, 2008, \$66,894 Business-Type Activities receivables, were considered to be uncollectible.

I. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets that have been purchased that have a useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the Government-Wide Statement of Net Assets. In contrast, in the Fund Financial Statements, capital assets are recorded as expenditures of the fund that provided the resources to acquire the asset. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and other improvements, and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

J. Sales Taxes

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

Opening, constructing, paving, resurfacing, improving and/or maintaining streets, alleys, sidewalks, and bridges.

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.

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.

Provided that a minimum of 20% of the net revenues received from this tax shall be dedicated and used for industrial development facilities.

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):

Sixty percent (60%) for constructing, paving, resurfacing, improving, and/or maintaining streets in and for the town.

Ten percent (10%) for constructing, acquiring, improving, and/or maintaining fire department stations and facilities for said town, including fire trucks and appurtenances.

Ten percent (10%) for constructing, acquiring, extending, improving, operating, and/or maintaining recreational facilities for said town.

Ten percent (10%) for constructing, acquiring, extending, improving, and/or maintaining police department facilities for said town, including the acquisition of all necessary equipment.

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.

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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. In addition, employees can earn compensatory leave for working overtime. All vacation and compensatory leave is expected to bge liquidated with expendable financial resources and is considered short-term and is recognized as a liability as appropriate.

K. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEVIED TAXES

Town of Homer levies taxes on real and business personal property located with its boundaries. The Parish Tax Assessor assesses the property values and prepares the Town's property tax roll. The Town bills and collects its own property taxes. Ad valorem taxes are levied and billed to the taxpayer in December, and are payable upon receipt of notice. Ad valorem taxes attach as an enforceable lien on property as of December 31, of each year. Taxes of 8.73 mills were levied on property with assess valuations totaling 13,403,374 and were dedicated for general operating purposes. Total taxes levied after adjustments were \$117,013. Taxes receivable at December 31, 2008 totaled \$87,126.

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions includes savings, demand deposits, time deposits, and certificates of deposit. Under state law the Town may deposit funds within a fiscal agent bank selected and designated by the Town Council. Further the fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged 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. The carrying amount of the Town's deposits at December 31, 2008 was \$1,621,358 (exclusive of petty cash of \$500) and the bank's balance was \$1,646,816. The difference is due to outstanding checks and deposits at year end. The bank's balances were secured as follows:

Secured by FDIC Insurance:	\$ 250,000
Collateralized by securities pledged in the Town's name:	<u>1,396,816</u>
Total	<u>\$1,646,816</u>

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 4 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at December 31, 2008:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes			
Ad valorem	\$ 87,126	\$ -	\$ 87,126
Franchise	23,038	-	23,038
Sales	88,114	-	88,114
Other	3,800	-	3,800
Charges for services	-	126,942	126,942
Total	<u>\$ 202,078</u>	<u>\$ 126,942</u>	<u>\$ 329,020</u>

NOTE 5 CAPITAL ASSETS

A summary of Town of Homer's capital assets at December 31, 2008 follows:

	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/08</u>
Government Activities				
Capital Assets, not being depreciated				
Land	\$ 135,743	\$ -	\$ -	\$ 135,743
Total Capital Assets, not being depreciated	135,743	-	-	135,743
Capital Assets, being depreciated				
Land improvements	1,593,849	-	-	1,593,849
Buildings and other improvements	1,139,529	-	-	1,139,529
Infrastructure	3,751,052	-	-	3,751,052
Less accumulated depreciation	(3,458,924)	(157,745)	-	(3,616,669)
Total Buildings & Building Improvements	3,026,136	(157,745)	-	2,868,390
Equipment, furniture & fixtures	937,658	207,323	-	1,144,981
Less accumulated depreciation	(788,862)	(48,897)	-	(837,759)
Total Equipment, Furniture & Fixtures	148,796	158,426	-	307,222
Total Capital Assets, being depreciated	<u>3,174,932</u>	<u>(206,642)</u>	<u>-</u>	<u>3,175,612</u>
Governmental Activities				
Total Capital Assets, net	<u>\$ 3,310,675</u>	<u>\$ 681</u>	<u>-</u>	<u>\$3,311,356</u>
Business-Type Activities				
Capital Assets, not being depreciated				
Land	\$ 13,330	\$ -	\$ -	\$ 13,330
Total Capital Assets, not being depreciated	13,330	-	-	13,330
Capital Assets, being depreciated				
Distribution system	11,537,841	-	-	11,537,841
Less accumulated depreciation	(5,666,819)	(242,091)	-	(5,908,910)
Total Distribution System	5,871,022	(242,091)	-	5,628,931
Equipment, furniture & fixtures	282,512	31,016	-	313,528
Less accumulated depreciation	(250,374)	(11,828)	-	(262,202)
Total Equipment, furniture & fixtures	<u>32,138</u>	<u>19,188</u>	<u>-</u>	<u>51,326</u>
Total Capital Assets, being Depreciated	<u>5,903,160</u>	<u>(222,903)</u>	<u>-</u>	<u>5,680,257</u>
Business-Type Activities				
Total Capital Assets, net	<u>\$ 5,916,490</u>	<u>\$ (222,903)</u>	<u>\$ -</u>	<u>\$5,693,587</u>
Primary Government				
Total Capital Assets, net	<u>\$ 9,227,165</u>	<u>\$ 901,589</u>	<u>\$ -</u>	<u>\$9,004,943</u>

TOWN OF HOMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 6 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at December 31, 2008.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Vendor	\$ 41,375	\$ 37,565	\$ 78,940
Accrued payroll liabilities	<u>28,389</u>	<u>13,983</u>	<u>42,372</u>
Total	<u>\$ 69,764</u>	<u>\$ 51,548</u>	<u>\$ 121,312</u>

NOTE 7 RISK MANAGEMENT

Town of Homer 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 maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

NOTE 8 LONG-TERM DEBT

The following is a summary of debt transactions of Town of Homer, Louisiana for the year ended December 31, 2008:

	<u>Balance 12/31/2007</u>	<u>Issuances (Retirement)</u>	<u>Balance 12/31/2008</u>
Sewer Revenue Bonds 6/28/96	\$ 508,936	\$ (10,709)	\$ 498,227
Sewer Revenue Bonds 11/28/88	953,711	(27,243)	926,468
Water Revenue Bonds 7/14/94	<u>1,026,365</u>	<u>(19,053)</u>	<u>1,007,312</u>
Balance, December 31, 2008	<u>\$2,489,012</u>	<u>\$ (57,005)</u>	<u>\$2,432,007</u>

Bonds payable at December 31, 2008 are comprised of the following individual issues:

\$590,000 Sewer Revenue Bonds dated June 28, 1996; payable over a 40-year period, with the first annual installment of \$32,267 commencing on November 28, 1996.1 through November 28, 2035; interest at 4.50%	\$ 498,227
\$1,200,000 Sewer Revenue Bonds dated November 28, 1988; Payable over a 40-year period, due in annual installments of \$76,500 in November 1989 and \$84,048 from 1990 through 2028; interest at 6.375%	\$ 926,468
\$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%	\$1,007,312

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 9 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2008, including interest payments of \$ 1,896,111 are as follows:

Year Ending <u>December 31</u>	
2009	188,908
2010	188,908
2011	188,357
2013	188,357
2013	188,357
2014 and thereafter	<u>3,385,231</u>
 Total	 <u>\$4,328,118</u>

NOTE 10 RESTRICTED ASSETS

Restricted assets in the proprietary fund type at December 31, 2008 are as follows:

Contingency funds - revenue bonds	\$ 158,040
Reserve funds - revenue bonds	153,702
Sinking funds - revenue bonds	9,851
Certificates of deposit - customer meter deposits and reserve funds	<u>142,575</u>
 Total	 <u>\$ 464,168</u>

NOTE 11. RETIREMENT COMMITMENTS

A. Municipal Employees' Retirement System:

1. Plan Description:

All eligible employees of the Town of Homer are participants in the Municipal Employees Retirement System of Louisiana (Plan A). All employees who are working on a regularly scheduled basis of at least 35 hours per week, not participating or eligible for membership in another public funded retirement system and who are under age 60 at date of employment are eligible to participate. The plan provides retirement benefits, survivor's benefits, and disability benefits. A member may retire at age 55 with 25 years or more of creditable service. Benefits vest after 10 years of service. The monthly amount of the retirement allowance shall consist of an amount equal to 1% of the member's final compensation multiplied by his years of creditable service.

Retirement provisions include survivor's benefits and disability benefits.

2. Funding Policy:

Employees of the Town are required to pay 9.25% of their total monthly earnings. Employer contributions range from 16% to 16.5% during the year ended December 31, 2008. Total contributions to this retirement system were \$28,462 for the year ended December 31, 2008.

TOWN OF HOMER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 11. RETIREMENT COMMITMENTS (CONTINUED)

B. Municipal Police Employees' Retirement System:

1. Plan Description:

All full-time police department employees, including the elected chief of police, engaged in law enforcement are required to participate in the System. Members are eligible for regular retirement when a member has (1) 25 years or more service, at any age; (2) 20 years or more service at age 50 or thereafter; or (3) 12 years or more service, at age 55 or thereafter. Retirement provisions include survivor's benefits and disability benefits.

2. Funding Policy:

Plan members are required by state statute to contribute 7.5% of their compensation and the Town's contributions ranges from 13.50% to 16.25%. Contributions to this plan totaled \$32,948 for the year ended December 31, 2008.

NOTE 12 PENDING LITIGATION AND CONTINGENT LIABILITIES

The Town is a party to various litigations as defendant. Legal representation for the Town estimates the monetary exposure for the Town would not be significant.

NOTE 13 OTHER MATTERS

Subsequent to year end, two checks were stolen from Town Hall and the signatures on the checks were forged. The Town suffered no monetary losses from these checks. The matter is in the hands of law enforcement.

TOWN OF HOMER, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Actual	Variance Fav./(Unfav.)
Revenues			
Taxes	\$ 561,862	\$ 715,439	\$ 153,577
Licenses and Permits	137,230	61,165	(76,065)
Fines	79,987	95,423	15,436
Donation	-	-	-
Miscellaneous	133,608	147,527	13,919
Total Revenues	<u>912,687</u>	<u>1,019,554</u>	<u>106,867</u>
Expenditures			
General government	337,326	671,900	(334,574)
Public safety	617,769	547,336	70,433
Highways and streets	-	-	-
Public works	-	-	-
Total Expenditures	<u>955,095</u>	<u>1,219,236</u>	<u>(264,141)</u>
Excess/(Deficiency) or Revenues Over Expenditures before Other Financing Sources/Uses	(42,408)	(199,682)	(157,274)
Transfers In (Out)	-	519,243	519,243
Total Other Financing Sources/(Uses)	<u>-</u>	<u>519,243</u>	<u>519,243</u>
Excess of Revenues Over (Under) Expenditures	(42,408)	319,561	361,969
Fund Balances, Beginning of Year	<u>498,420</u>	<u>498,420</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 456,012</u>	<u>\$ 817,981</u>	<u>\$ 361,969</u>

The Town did not maintain complete accounting records by fund. The Town did not amend the budget in 2008.

TOWN OF HOMER, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCE OF
GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL -
INDUSTRIAL DEVELOPMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAV./(UNFAV.)
Revenues			
Taxes	\$ 92,373	\$ 92,517	\$ 144
Miscellaneous	16,075	3,448	(12,627)
Total Revenues	<u>108,448</u>	<u>95,965</u>	<u>(12,483)</u>
Expenditures			
General government	-	10,574	(10,574)
Total Expenditures	<u>286,022</u>	<u>10,574</u>	<u>(10,574)</u>
Increase (Decrease) in net assets before transfers	(177,574)	85,391	262,965
Transfers (to) from other funds	-	(373,975)	(373,975)
Excess of revenues over (under) expenses	(177,574)	(288,584)	(111,010)
Fund Balances, Beginning of Year	<u>629,422</u>	<u>629,422</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 451,848</u>	<u>\$ 340,838</u>	<u>\$ (111,010)</u>

The Town did not maintain complete accounting records by fund. The Town did not amend the budget in 2008.

TOWN OF HOMER, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCE OF
GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL -
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAV./(UNFAV.)</u>
Revenues			
Taxes	\$ 295,119	\$ 277,551	\$ (17,568)
Miscellaneous	16,075	16,751	676
Total Revenues	<u>311,194</u>	<u>294,302</u>	<u>(16,892)</u>
Expenditures			
Highways and Streets	539,227	418,968	120,259
Total Expenditures	<u>286,022</u>	<u>418,968</u>	<u>120,259</u>
Increase (Decrease) in net assets before transfers	(228,033)	(124,666)	103,367
Transfers (to) from other funds	<u>-</u>	<u>(54,413)</u>	<u>(54,413)</u>
Excess of revenues over (under) expenses	(228,033)	(179,079)	48,954
Fund Balances, Beginning of Year	<u>291,976</u>	<u>291,976</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 63,943</u>	<u>\$ 112,897</u>	<u>\$ 48,954</u>

The Town did not maintain complete accounting records by fund. The Town did not amend the budget in 2008.

TOWN OF HOMER, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO MAYOR
AND SELECTMEN

YEAR ENDED DECEMBER 31, 2008

David M. Newell, Mayor	\$ 24,000
Patricia Jenkins	4,800
Michael T. Johnson	4,800
Michael J. Wade	4,800
Carlette Sandford	4,800
John C. Moore	<u>4,800</u>
 Total	 <u>\$ 48,000</u>

TOWN OF HOMER, LOUISIANA

Non-Major Governmental Funds

Combining Balance Sheet

December 31, 2008

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 173,618	-	\$ 173,618
Investments	-	-	-
Receivables	17,624	-	17,624
Due from other funds	-	-	-
	-	-	-
TOTAL ASSETS	<u>\$ 191,242</u>	<u>\$ -</u>	<u>\$ 191,242</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 7,455	\$ -	\$ 7,455
Due to other funds	5,272	-	5,272
Total Liabilities	<u>12,727</u>	<u>-</u>	<u>12,727</u>
 Fund balances - unreserved and undesignated	<u>178,515</u>	<u>-</u>	<u>178,515</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 191,242</u>	<u>\$ -</u>	<u>\$ 191,242</u>

TOWN OF HOMER, LOUISIANA

Non-Major Governmental Funds

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

For the Year Ended December 31, 2008

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUES			
Taxes	\$ 204,762	\$ -	\$ 204,762
Intergovernmental	25,000	-	25,000
Interest	4,555	-	4,555
Miscellaneous	17,820	-	17,820
Total revenues	<u>252,137</u>	<u>-</u>	<u>252,137</u>
EXPENDITURES			
General government	34,375	-	34,375
Public safety	84,235	-	84,235
Highways and streets	-	-	-
Parks and recreation	81,011	-	81,011
Industrial development	-	-	-
Total expenditures	<u>199,621</u>	<u>-</u>	<u>199,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS	52,516	-	52,516
TRANSFERS (TO) FROM OTHER FUNDS	<u>(284,156)</u>	<u>(5,622)</u>	<u>(289,778)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(231,640)	(5,622)	(237,262)
FUND BALANCES AT BEGINNING OF YEAR	<u>410,155</u>	<u>5,622</u>	<u>415,777</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 178,515</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 178,515</u></u>

TOWN OF HOMER, LOUISIANA

Combining Balance Sheet - Special Revenue Funds

December 31, 2008

	FIRE FUND	RECREATION FUND	POLICE FUND	CONTINGENCY FUND	TOURISM FUND	COMBINED TOTALS
ASSETS						
Cash	\$ 69,447	\$ 27,110	\$ 100	\$ 44,146	\$ 32,815	\$ 173,618
Investments	-	-	-	-	-	-
Receivables	4,406	4,406	4,406	4,406	-	17,624
Due from other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 73,853</u>	<u>\$ 31,516</u>	<u>\$ 4,506</u>	<u>\$ 48,552</u>	<u>\$ 32,815</u>	<u>\$ 191,242</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 874	\$ 514	\$ 5,071	\$ -	\$ 996	\$ 7,455
Due to other funds	-	-	-	-	5,272	5,272
Total Liabilities	<u>874</u>	<u>514</u>	<u>5,071</u>	<u>-</u>	<u>6,268</u>	<u>12,727</u>
Fund balances - unreserved and undesignated	<u>72,979</u>	<u>31,002</u>	<u>(565)</u>	<u>48,552</u>	<u>26,547</u>	<u>178,515</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 73,853</u>	<u>\$ 31,516</u>	<u>\$ 4,506</u>	<u>\$ 48,552</u>	<u>\$ 32,815</u>	<u>\$ 191,242</u>

TOWN OF HOMER, LOUISIANA

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances - Special Revenue Funds**

For the Year Ended December 31, 2008

	FIRE FUND	RECREATION FUND	POLICE FUND	CONTINGENCY FUND	TOURISM FUND	COMBINED TOTALS
REVENUES						
Taxes	\$ 46,258	\$ 46,258	\$ 46,258	\$ 46,258	\$ 19,730	\$ 204,762
Intergovernmental	25,000	-	-	-	-	25,000
Interest	2,558	649	32	798	518	4,555
Miscellaneous	5,460	1,517	-	-	10,843	17,820
Total revenues	<u>79,276</u>	<u>48,424</u>	<u>46,290</u>	<u>47,056</u>	<u>31,091</u>	<u>252,137</u>
EXPENDITURES						
General government	-	-	-	-	34,375	34,375
Public safety	65,352	-	18,883	-	-	84,235
Highways and streets	-	-	-	-	-	-
Parks and recreation	-	81,011	-	-	-	81,011
Industrial development	-	-	-	-	-	-
Total expenditures	<u>65,352</u>	<u>81,011</u>	<u>18,883</u>	<u>-</u>	<u>34,375</u>	<u>199,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS	13,924	(32,587)	27,407	47,056	(3,284)	52,516
TRANSFERS (TO) FROM OTHER FUNDS	<u>(166,448)</u>	<u>2,200</u>	<u>(5,189)</u>	<u>(105,203)</u>	<u>(9,516)</u>	<u>(284,156)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(152,524)	(30,387)	22,218	(58,147)	(12,800)	(231,640)
FUND BALANCES, BEGINNING OF YEAR	<u>225,503</u>	<u>61,389</u>	<u>(22,783)</u>	<u>106,699</u>	<u>39,347</u>	<u>410,155</u>
FUND BALANCES, END OF YEAR	<u>\$ 72,979</u>	<u>\$ 31,002</u>	<u>\$ (565)</u>	<u>\$ 48,552</u>	<u>\$ 26,547</u>	<u>\$ 178,515</u>

TOWN OF HOMER, LOUISIANA

Combining Balance Sheet - Capital Project Funds

December 31, 2008

	MAYFIELD BICYCLE	HOMER BY-PASS	SEWER CONSTRUCTION	2005 CDBG	WOODEN BUILDING	TOTAL
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balances - unreserved and undesignated	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWN OF HOMER, LOUISIANA

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances - Capital Projects Fund

Year Ended December 31, 2008

	MAYFIELD BICYCLE	HOMER BY-PASS	SEWER CONSTRUCTION	2005 CDBG	WOODEN BUILDIN	COMBINED TOTALS
REVENUES						
Grant Proceeds						
State of Louisiana CDBG	\$ -	-	\$ -	-	\$ -	\$ -
Other	-	-	-	-	-	\$ -
Interest earned	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
EXPENDITURES						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Industrial development	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS						
TRANSFERS (TO) FROM OTHER FUNDS						
	-	(5,228)	1,844	(2,238)	-	(5,622)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	-	(5,228)	1,844	(2,238)	-	(5,622)
FUND BALANCES AT BEGINNING OF YEAR						
	-	5,228	(1,844)	2,238	-	5,622
FUND BALANCES AT END OF YEAR						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF HOMER

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2008

FINDING 2007-01:

The segregation of duties is inadequate to provide effective internal control.

STATUS: Unresolved.

FINDING 2007-02:

The Town is not adequately managing utility receivables.

STATUS: Unresolved.

FINDING 2007-03:

The Town did not make deposits to restricted accounts as required by debt agreements.

STATUS: Resolved.

FINDING 2007-04:

The Town is not in compliance with debt agreements.

STATUS: Unresolved.

FINDING 2007-05:

Traffic fines were not deposited on a timely basis. Lack of segregation of duties.

STATUS: Partially resolved. Traffic fines are deposited on a timely basis.

FINDING 2007-06:

Monthly retirement reports were not filed on a timely basis.

STATUS: Unresolved.

FINDING 2007-07:

Supplemental police pay was reported on Form 1099 instead of Form W-2.

STATUS: Unresolved.

FINDING 2007-08:

The Town did not withhold payroll taxes in accordance with IRS regulations regarding withholding taxes.

STATUS: Resolved.

FINDING 2007-09:

Noncompliance with State Budget Law.

STATUS: Resolved.

TOWN OF HOMER

Date Collection Form

Year Ended December 31, 2008

FINDING 2007-10:

Failure to file audit report on a timely basis.

STATUS: Unresolved.

FINDING 2007-11:

The Town paid advances that constituted bonuses.

STATUS: Resolved.



Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

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

The Honorable David Newell, Mayor
and Members of the Board of Selectmen
Town of Homer, Louisiana

I have audited the basic financial statements of Town of Homer as of and for the year ended December 31, 2008 , and have issued my report thereon, dated July 22, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Homer's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. I consider the Findings 2008-1 and 2008-2 described in the accompanying schedule of findings and questioned costs, lack of segregation of duties, and failure to maintain complete accounting records for individual funds to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

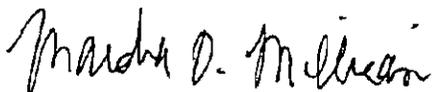
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that Findings 2008-1 and 2008-2, are material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Homer's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as Findings 2008-3, 2008-4, 2008-5, 2008-6, 2008-7, 2008-8, 2008-9, 2008-10, and 2008-11.

This report is intended solely for the information of management, the Board of Aldermen, and applicable federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant
July 22, 2009

TOWN OF HOMER

Schedule of Findings and Questioned Costs

Year Ended December 31, 2008

Summary of Audit Results

1. The auditor's report expresses an adverse opinion on the financial statements.
2. Two significant weaknesses in internal control over financial reporting, Both of which are material weaknesses, are reported.
3. Nine instances of noncompliance were disclosed during the audit.

FINDING 2008-1:

Condition: The segregation of duties is inadequate to provide effective internal control. This is a repeat finding.

Recommendation: I recommend duties be segregated whenever possible.

FINDING 2008-2: Complete accounting records were not maintained for individual funds to facilitate preparation of fund financial statements in accordance with generally accepted accounting principles. The Town changed its accounting system to Quickbooks effective January 1, 2008. The account balances used as beginning balances for the new system on January 1, 2008 did not agree with the audited balances at December 31, 2007, resulting in individual fund balances at January 1, 2008 not agreeing with the individual fund balances at December 31, 2007. The journal entries required to reconcile fund balance at December 31, 2008 cannot be verified. The Town did not maintain balance sheets for the individual funds for the year ended December 31, 2008. In addition, the Town recorded unrestricted revenue and expenditures of unrestricted revenue in special revenue funds. The purpose of special revenue funds is to collect revenue (in this case sales tax) dedicated for legally restricted purposes and account for the expenditures of these funds for their legally restricted purposes.

Recommendation: I recommend the Town utilize software with fund accounting applications.

FINDING 2008-3: The software utilized by the Town for utility billing is not operating properly. Utility receivable balances from the billing system are not reconciled to the general ledger balance for utility receivables. At December 31, 2008, customer receivables per the billing system totaled \$88,875; the general ledger balance for customer receivables totaled \$169,223. The reason for this difference has not been ascertained.

Recommendation: I recommend the Town obtain assistance from the software vendor to determine the reason the software is not functioning properly.

FINDING 2008-4: The Town is not adequately managing utility receivables. Total customer balances from the billing system are not reconciled to the general ledger balance for utility receivables. At December 31, 2008, customer receivables per the billing system totaled \$88,874; the general ledger balance for customer receivables totaled \$169,223. Customer balances sixty days or more past due at December 31, 2008 totaled \$66,895 or 40% of utility receivables. This is a repeat finding.

Recommendation: I recommend the Town enforce its cut-off policy and increase collection efforts for past due water bills that are in excess of customer deposits.

TOWN OF HOMER

Schedule of Findings (Continued)

Year Ended December 31, 2008

FINDING 2008-05:

Condition: On October 1, 1971, a one percent sales and use tax was levied. Of the proceeds of this tax, twenty percent is restricted for industrial development. During the year ended December 31, 2008, the Town transferred funds of \$349,044 that were restricted for industrial development to the general fund.

Recommendation: I recommend the Town comply with the provisions of the tax levy.

FINDING 2008-06:

Condition: The Town is not in compliance with debt agreements. The Town failed to fully comply with the "Letter of Intent to Meet Conditions" agreement of its water and sewer revenue bonds. Water and sewer rates are substantially less than mandated, and a separate rate structure is not implemented for residential and commercial customers. This is a repeat finding.

Recommendation: I recommend the Town comply with the provisions of debt agreements.

FINDING 2008-07:

Condition: Traffic fines are not deposited on a timely basis. There is a lack of segregation of duties regarding inputting citations in the computer system, receiving fines, updating fines paid, and preparing the bank deposit. There are no security passwords to get into the computerized system. This is a repeat finding.

Recommendation: I recommend fines be deposited on a daily basis and duties be segregated whenever possible. Security passwords should be utilized for the computerized system.

FINDING 2008-08:

Condition: The Town is a participant in the Municipal Employees Retirement System and the Municipal Police Employees' Retirement System. Monthly reports are due on the 10th of each month. Monthly reports were filed late nine times. This is a repeat finding.

Recommendation: I recommend reports to the Retirement Systems be filed with the System by the due date.

FINDING 2008-9:

Condition: Although police supplemental pay is paid by the state, the Town is required to report supplemental pay on the police officer's Form W-2 as additional wages. Town of Homer reported supplemental pay on Form 1099 instead of Form W-2. This is a repeat finding.

Recommendation: I recommend supplemental pay for the police be reported on Form W-2 along with other police wages.

TOWN OF HOMER

Schedule of Findings (Continued)

Year Ended December 31, 2008

FINDING 2008-10:

Condition: The Louisiana Code of Governmental Ethics prohibits an elected official from rendering any service on a contractual basis to their former agency for a period of two years following the termination of public service as an elected official. During the year ended December 31, 2008, the Town paid contract labor of \$600 to the former Mayor.

Recommendation: I recommend the Town comply with the provisions of the Louisiana Code of Governmental Ethics.

FINDING 2008-11:

Condition: The Town did not make its financial statements available to the auditor on a timely basis to permit completion of the audit within the time frame required by state law. As a result, the Town's audited financial statements were not filed with the Louisiana Legislative Auditor within the time frame required by State Law. This is a repeat finding.

Recommendation: I recommend the Town file its annual financial statements within the time frame required by State Law.

TOWN OF HOMER

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September 30, 2009

Mr. Steve Theriot
Louisiana Legislative Auditor
POB 94397
Baton Rouge, LA 70804-9397

**RE: Responses to 2008 Audit Schedule of Findings
Year Ended December 31, 2008**

Dear Mr. Theriot:

In response to Mrs. Millican's 2008 Audit findings, the Town of Homer offers the following responses thereto:

FINDING 2008-1:

Condition: The segregation of duties is inadequate to provide effective internal control. This is a repeat finding.

Management's Response: The size of the administrative office and the cost-benefit of additional personnel prevent complete segregation of duties. However, the town has increased the monitoring and reviewing of all accounting, billing, and the financial transactions by appropriate personal to assure proper handling of the town's assets.

FINDING 2008-2:

Condition: Complete accounting records were not maintained for individual funds to facilitate preparation of fund financial statements in accordance with generally accepted accounting principles.

Management's Response: All revenues and expenditures are recorded in detail on a per fund basis. Therefore, it is the town's opinion that all funds are presented accurately and completely, and the information is available to facilitate accurate presentation of the fund balance.

FINDING 2008-3:

Condition: The software utilized by the Town for utility billing is not operating properly. Utility receivable balances from the billing system are not reconciled to the general ledger balance for utility receivables. At December 31, 2008, customer receivables per the billing system totaled \$88,875; the general ledger balance for customer receivables totaled \$169,223. The reason for this difference has not been ascertained.

**WILLIE CURRY, District 1 ; MICHAEL J. WADE, District 2 ; TONEY JOHNSON, District 3 ;
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Management's Response: The Town Clerk is in the process of a detailed audit of the activity on the Utility Billing System compared to the General Ledger to determine why there is a discrepancy. This will direct us to improve our billing and collection process based on the findings discovered. The Administrative staff is going to undertake additional training on the UBS system to improve operation of the software. This should resolve the issue.

FINDING 2008-4:

Condition: The Town is not adequately managing utility receivables. Total customer balances from the billing system are not reconciled to the general ledger balance for utility receivables. At December 31, 2008, customer receivables per the billing system totaled \$88,875; the general ledger balance for customer receivables totaled \$169,223. Customer balances sixty days or more past due at December 31, 2008 totaled \$66,895 or 40% of utility receivables. This is a repeat finding.

Management's Response: The Town is actively pursuing collecting delinquent accounts and determining bad debt that will be written off. As stated above (Finding 2008-03), the Town Clerk is in the process of a detailed audit of activity on the utility billing system compared to the General ledger. In addition we are also pursuing our options of software systems, to bring all billing, collections and financials under one system. The Town is considering outsourcing its collections and is consulting with a collection company to assist in collecting past due accounts.

FINDING 2008-5:

Condition: On October 1, 1971, a one percent sales and use tax was levied. Of the proceeds of this tax, twenty percent is restricted for industrial development. During the year ended December 31, 2008, the Town transferred funds of \$349,044 that were restricted for industrial development to the general fund.

Management's Response: The 1971 ordinance does provide that twenty (20%) percent of the sales tax proceeds shall be dedicated and used for industrial development facilities as described in the proposition/ordinance. The ordinance also provided that the funds could be used for the "constructing, acquiring, extending, improving, renovating, and/or maintaining ... industrial development facilities" and "purchasing and acquiring the necessary land, equipment, and furnishings for the aforesaid public works, buildings, improvements and facilities."

In the proposed finding 2008-05, the auditor finds fault with the Town's transfer of \$349,044 to the general fund from the industrial development fund. The auditor contends that this entire amount was restricted funds. In reviewing this matter, it appears that the auditor may be partially correct. However, a large portion of the funds transferred from the Industrial Development Fund was not restricted funds and the Town was permitted to transfer these funds in the best interest of the Town.

The auditor is correct in stating that sales tax proceeds are restricted and should be used solely for the purposes set forth in the tax proposition. See La. R.S. 47:337.3(B)(3). La. R.S. 39:704, La. R.S. 33:2714, and La. R.S. 33:2723.

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However, not all funds maintained by the Town for industrial development fall within this definition. The only funds in the Industrial Development Fund Account that are restricted are the actual taxes collected. Funds received for the sale of assets, rental income, standard interest received in a checking or savings account, or other types of income are not restricted funds.

La. R.S. 33:2955(A) authorizes municipalities and other political subdivisions to invest monies from general or special funds in certain types of investment accounts, including U.S. Treasury obligations, bonds and debentures insured by federal agencies, certificate of deposits in a Louisiana bank, savings accounts or shares of saving and loans associations and savings banks that are federally insured, and certain insured mutual or trust funds. La. R.S. 33:2955(B) provides that interest earned on bonds, notes, certificates, time certificates of deposits, or mutual funds shall be credited to the fund from which monies used to acquire these types of investments.

However, no statute, including La. R.S. 33:2955, states that interest earned on restricted funds in a checking account is restricted. The numerous statutes limiting the use of sales tax and other special tax proceeds to the stated purpose in the proposition all speak in terms of the proceeds or the avails of the tax sale—which means the amount of money received from the tax sale. However, interest earned in a checking account was not received from the tax sale and is therefore not restricted.

Moreover, the proceeds from the sale of an asset that was properly purchased with restricted funds are not restricted. The original purchase of the asset with Industrial Development funds served the stated purpose of developing industry. If that asset is later sold, there is nothing that requires the funds to be restricted.

In 2008, the Town retained a new general accountant. In reviewing the accounts set up by the prior general accountant, it was noted that there were two separate funds for Industrial Development: one entitled Industrial Development Sales Tax Fund containing \$257,055.82 and one account entitled Industrial Development - Master Bank Account containing \$349,044.28. The new accountant made the reasonable, but unfortunately incorrect conclusion, that the funds in the master account were all unrestricted and transferred these funds to the general account. This transfer is the subject of the auditor's finding.

To the extent that actual restricted funds were transferred to the general fund, the Town agrees and has transferred said funds back to the Industrial Development Fund. However, a large portion of the funds actually in the Industrial Development Fund at the end of 2007 and in 2008 were unrestricted funds and thus capable of being transferred. Thus, to the extent funds were unrestricted, the Town submits that it does not need to pay these amounts back to the Industrial Development Fund.

The non-restricted funds in the account which do not need to be transferred back to the Industrial Fund, include the following:

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\$ 50,000.00	Sale of the Watson Building on 3/7/05
\$110,000.00	Sale of 1/2 of Wal-mart Building in 11/07
\$ 17,332.00	10% of Street salaries for maintenance of industrial park and other town owned facilities for years 2006, 2007 and 2008
\$ 14,263.00	Interest and Miscellaneous Income for years 1996, 1999, 2001, 2002 and 2003
\$ 27,713.19	Interest from 1/1/03 - 12/31/07
\$ 3,738.50	Interest from 1/1/08 - 12/31/08
\$ 11,100.00	Sale of building in 2008
\$ 800.00	Misc. Income in 2004
<u>\$ 1,236.30</u>	Rental Income from Wal-Mart Building
\$236,182.99	TOTAL Unrestricted Funds in Industrial Development Account

Furthermore, there were additional expenses that could (and should) have been charged to the restricted funds within the Industrial Development Fund. The term "Industrial Development Facilities" is not defined in the proposition, ordinance or elsewhere. Thus, we must look to the ordinary meaning of these words as the normal citizen would have understood them when the proposition was passed in 1971.

The Merriam-Webster Dictionary defines "Industrial" as "of or relating to industry." It defines 'industry' to include "a systematic labor especially for some useful purpose or the creation of something of value; a department or branch of a craft, art, business, or manufacture; a distinct group of productive or profit-making enterprises; and manufacturing activity as a whole."

The Merriam-Webster Dictionary also defines "facility" to include "something that makes an action, operation, or course of conduct easier; and something that is built, installed, or established to serve a particular purpose." It defines "development" as the act, process, or result of developing or the state of being developed." It further defines "develop" as including "to work out the possibilities of, to create or produce especially by deliberate effort over time, to make active or promote the growth of, to make available or usable, and to make suitable for commercial or residential purposes."

The Attorney General previously determined that "the words 'for the purpose of maintaining and operating' must, of necessity, be deemed to include the acquisition of items that are essential to the performance of maintenance and operation." La. Atty Gen. Op. 00-20 (6/9/00). The Attorney General has also interpreted "constructing and maintaining" in a tax ordinance to include cutting grass and collecting litter, including that portion of the employee(s) salary directed to that function. "Webster's Dictionary defines maintenance as 'the work of keeping something in suitable working condition.' Since collecting litter and cutting grass appear to be typical activities needed to maintain sidewalks and streets, their costs may be funded with the proceeds of this tax." La. Atty Gen. Op. 05-0108 (3/18/05).

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Thus, Industrial Development Facilities essentially means working to produce or create buildings or other things that makes the conduct of any and all types of business easier. This would include buildings, land, and other tangible items to attract or maintain various businesses and industries.

The terms "constructing, acquiring, extending, improving, renovating, and/or maintaining ... industrial development facilities" and "purchasing and acquiring the necessary land, equipment, and furnishings for the aforesaid public works, buildings, improvements and facilities" are also extremely broad terms. Most expenditures directed towards creating, extending or maintaining business or industry of any kind would fall within the terms of the sales tax ordinance.

By necessity, this would include the following types of expenses:

- 1) Any and all expenses incurred in purchasing land (with or without buildings) to attract or maintain a business within the City of Homer (including all legal fees, title research, architectural, repairs, and other expenses incurred to obtain the asset;
- 2) Any and all improvements made to land or buildings to attract or maintain a business or industry, including the maintenance on the building, cutting the grass, and other maintenance work on such assets, including a pro-rated share of the salary of the streets and/or maintenance department's salary for performing these activities on such properties (which would include the Wal-mart building, the Industrial Park, and any other building/land owned by the City that could or is being used to acquire or maintain business/industry);
- 3) Any and all expenses associated with maintaining the airport in good working order, including all equipment and furnishing and salary expenses, as the primary purpose of the airport is for industrial and business use;
- 4) A pro-rata share of the administrative expenses directed towards industrial development facilities issues, which would include a share of the salaries of the Mayor, Town Clerk, and Town Treasurer as these three individuals perform extensive duties with respect to these activities and to maintaining the restricted funds;
- 5) A pro-rata share of the expenses associated with the Town's General Accountant as he must maintain the restricted funds;
- 6) Any and all utilities expenses incurred by the City for these industrial assets as utilities are required to maintain such assets in good repair;
- 7) Insurance premiums on industrial assets as that is part of good maintenance of such assets;
- 8) Any legal fees and other costs associated with these assets that are used to acquire and maintain industry development facilities;
- 9) Expenses associated with the Economic Development Board as those expenses are incurred in an effort to acquire, improve, and/or maintain these industrial development facilities;

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STATE OF LOUISIANA, PARISH OF CLAIBORNE

TOWN OF HOMER

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In reviewing the Town's accounting for the year 2008, it appears that a prorata share of the Town's maintenance expenses could and should have been allocated against the restricted funds within the Industrial Development Fund. The Town's streets and maintenance employees have performed work maintaining the Wal-mart Building, Industrial Park, and other industrial assets, including cutting grass, eliminating weeds, picking up trash, etc.. After consultation with the head of that department, it has been determined that 10% of those employees time has been dedicated to maintaining these industrial assets. Therefore, for 2006 through 2008, an additional \$17,332.00 of maintenance expenses should have been allocated against the restricted funds within the Industrial Development Fund.

The \$218,850.99 in unrestricted funds within the Industrial Development Fund and the \$17,332.00 of previously unassigned expenses result in a combined total \$218,850.99. Thus, out of the \$349,044.28, only \$112,861.29 must be repaid to the Industrial Development Fund. The Town has agreed to transfer these funds from the general account back to the Industrial Development Fund and same is currently being done.

Now that these funds accurately reflect the restricted amounts in each account, the Town Accountant will keep track of the restricted versus unrestricted funds within the Industrial Development Fund and he will appropriately assess the permitted expenses as set forth above. This should prevent this honest mistake from reoccurring.

FINDING 2008-6:

Condition: The Town is not in compliance with the debt agreements. The Town failed to fully comply with the "Letter of Intent to Meet Conditions" agreement of water and sewer revenue bonds. Water and sewer rates are substantially less than mandated, and a separate rate structure is not implemented for residential and commercial customers. This is a repeat finding.

Management's Response: The Town disagrees with this finding. In the process of obtaining approval for loans from the FmHA for the outstanding sewer and water bonds, the FmHA initially set as one of the requirements for the loan was that the Town would adopt particular water and sewer rates that were delineated by residential and commercial customers. However, to actually complete the loans and bonds, the Town was required to adopt ordinances setting forth its obligations under the bonds.

The ordinance adopted by the Town on May 6, 1996, and approved by the FmHA, and the bonds themselves, provide that the Town would set its rates for services at a sufficient rate to meet its obligations under the bonds. Those obligations include the operating and maintenance of the systems, deposits into the sinking funds for the annual payment to FmHA, annual deposits into a reserve fund, and annual deposits into a contingency fund. All excess funds can be used by the Town for any purpose.

This ordinance initially set the sewer rates at the precise amount as required under the terms and condition letter. (The Town had previously adopted a resolution setting the water rates at the rate required by the water bond.) However, the ordinance specifically provided that the Town could alter,

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TOWN OF HOMER

DAVID M. NEWELL
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amend, or repeal any resolution or ordinance establishing a schedule of rates and charges provided that the rates were sufficient to make all of the payments required under the bond.

After consultation with FmHA, the Town amended its water and sewer rates to their current structure. Contrary to the assertion of the auditor, there are separate rates for residential and commercial customers. More importantly, the income received from the water and sewer customers exceeds the funds necessary to operate and maintain the systems and to make all the required monthly/annual deposits and payments. The Town has made every annual payment to the FmHA and the deposits and current balance of the reserve and contingency funds are precisely as required by the bonds. Therefore, the Town is in compliance with its bond requirements.

FINDING 2008-7:

Condition: Traffic fines are not deposited on a timely basis. There is a lack of segregation of duties regarding inputting citations in the computer system, receiving fines, updating fines paid, and preparing the bank deposit. There are no security passwords to get into the computerized system. This is a repeat finding.

Management's Response: Fines are now being received by the office and the deposit is made daily. The payment of the fines is then reported to the police department and entered into the computer system. A report is prepared by the police secretary and independent reconciliation is performed to assure all fines are collected and reported. Any discrepancy is researched and corrected.

FINDING 2008-8:

Condition: The Town is a participant in the Municipal Employees Retirement System and the Municipal Police Employees' Retirement System. Monthly reports are due on the 10th of each month. Monthly reports were filed late none times. This is a repeat finding.

Management's Response: All reports will be filed timely beginning immediately.

FINDING 2008-9:

Condition: Although police supplemental pay is paid by the state, the Town is required to report supplemental pay on the police officer's Form W-2 as additional wages. Thow of Homer reported supplemental pay on Form 1099 instead of Form W-2. This is a repeat finding.

Management's Response: We will assure that future police supplemental pay is reported correctly on Form W-2.

FINDING 2008-10:

Condition: The Louisiana Code of Governmental Ethics prohibits an elected official or rendering any service on a contractual basis to their former agency for a period of two years following the termination of public service as an elected official. During the year ended December 31, 2008, the Town paid contract labor of \$600 to the former Mayor.

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STATE OF LOUISIANA, PARISH OF CLAIBORNE

TOWN OF HOMER

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Management's Response: The Town accepted bids for work to be done, which included the removal of two dead trees that posed a safety hazard. The lowest bid was \$1,800.00 and the next bid was even higher. Mr. Dean graciously offered to do the work for \$600.00, and the Town accepted his offer to save money. It was 2 weeks shy of the 2 year exclusionary period being up, and the deadline was inadvertently missed. However, the Town saved a substantial amount of money. In the future, the Town will verify any exclusionary dates before using services of former officials.

FINDING 2008-11:

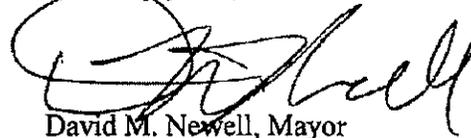
Condition: The Town did not file its audited financial statements with the Louisiana Legislative Auditor as required by State Law. This is a repeat finding.

Management's Response: The report was filed as soon as it was available from the auditor. Every effort is expended by the Town to comply with all deadlines set by Law.

If you have any further questions or need any additional information, please contact me, the Town Clerk, Town Accountant, or the Town Attorney.

With kindest regards, I am

Sincerely yours,



David M. Newell, Mayor

cc: City Council Members

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