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**TOWN OF HOMER, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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 7/11/07

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TOWN OF HOMER, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

Marsha O. Millican  
Certified Public Accountant  
Shreveport, Louisiana

TOWN OF HOMER, LOUISIANA

DECEMBER 31, 2006

TABLE OF CONTENTS

Non-Major Special Revenue Funds:	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	30
Non-Major Capital Projects Funds:	
Combining Balance Sheet	31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	32
Schedule of Expenditures of Federal Awards	33
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	34-35
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	36-37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	38-40
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS	41



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

INDEPENDENT AUDITOR'S REPORT

The Honorable Huey Dean, 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, 2006 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. 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof 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 25 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.

In accordance with Government Auditing Standards, I have also issued a report dated June 12, 2007 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.

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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 listed in the table of contents as other supplementary information 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, is fairly stated, in all material respects, in relation to the basis financial statements taken as a whole.



Certified Public Accountant  
June 12, 2007

**TOWN OF HOMER, LOUISIANA**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

ASSETS	Governmental Activities	Business-Type Activities	Total
<b>Current Assets</b>			
Cash	\$ 1,589,679	\$ -	\$ 1,589,679
Accounts receivable	232,730	146,075	378,805
Due from other funds	286,439	-	286,439
Other	6,553	-	6,553
<b>Total Current Assets</b>	<b>2,115,401</b>	<b>146,075</b>	<b>2,261,476</b>
<b>Noncurrent Assets</b>			
Restricted cash	-	159,198	159,198
Due from other funds	-	274,733	274,733
Capital assets, net	3,378,403	6,175,578	9,553,981
<b>Total Noncurrent Assets</b>	<b>3,378,403</b>	<b>6,609,509</b>	<b>9,987,912</b>
<b>Total Assets</b>	<b>5,493,804</b>	<b>6,755,584</b>	<b>12,249,388</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals	97,635	50,454	148,089
Accrued payroll liabilities	16,436		16,436
Current portion of long term debt	-	48,286	48,286
Other	4,511		4,511
Accrued interest payable	-	6,606	6,606
<b>Total current liabilities</b>	<b>118,582</b>	<b>105,346</b>	<b>223,928</b>
<b>Noncurrent Liabilities</b>			
Due to other funds	322,697	238,475	561,172
Long-term debt, net of current portion	-	2,494,175	2,494,175
Customer deposits	-	113,111	113,111
<b>Total Noncurrent liabilities</b>	<b>322,697</b>	<b>2,845,761</b>	<b>3,168,458</b>
<b>Total liabilities</b>	<b>441,279</b>	<b>2,951,107</b>	<b>3,392,386</b>
<b>NET ASSETS</b>			
Investment in capital assets, Net of related debt	3,378,403	3,633,117	7,011,520
Restricted	-	159,918	159,918
Unrestricted	1,674,122	11,442	1,685,564
<b>Total Net Assets</b>	<b>5,052,525</b>	<b>3,804,477</b>	<b>8,857,002</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,493,804</b>	<b>\$ 6,755,584</b>	<b>\$ 12,249,388</b>

The accompanying notes are an integral part of this statement.

**TOWN OF HOMER, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	1,007,378			1,059,053	51,675	-	51,675
Public Safety	558,875				(558,875)	-	(558,875)
Highways and Streets	373,988				(373,988)	-	(373,988)
Depreciation	188,661				(188,661)	-	(188,661)
Total Governmental Activities	2,128,902			1,059,053	(1,069,849)		(1,069,849)
Business-Type Activities							
Utility Fund	1,357,728	1,057,630		707,494	-	407,396	407,396
Total Business-Type Activities	1,357,728	1,057,630		707,494	-	407,396	407,396
<b>Total Primary Government</b>	<b>\$ 3,486,630</b>	<b>\$ 1,057,630</b>	<b>\$ -</b>	<b>\$ 1,766,547</b>	<b>(1,069,849)</b>	<b>407,396</b>	<b>(662,453)</b>
General Revenues							
Taxes							
Ad Valorem					1,331,753	-	1,331,753
License and Permits					66,114	-	66,114
Fines					91,767	-	91,767
Donations					166,486	-	166,486
Miscellaneous					213,191	-	213,191
Transfers					(52,150)	52,150	-
Total General Revenues and Transfers					1,817,141	52,150	1,869,291
Change in Net Assets					747,292	459,546	1,206,838
Net Assets, Beginning of Year					4,305,233	3,344,931	7,650,164
Net Assets, End of Year					\$ 5,052,525	\$ 3,804,477	\$ 8,857,002

The accompanying notes are an integral part of this statement.

TOWN OF HOMER, LOUISIANA

Balance Sheet  
Governmental Funds  
For the Year Ended December 31, 2006

	General	Street	Industrial Development	General and Public Facilities	Other	Total
<b>ASSETS</b>						
Cash	\$ 702,398	\$ 63,096	\$ 467,041	\$ 35,226	\$ 321,918	\$ 1,589,679
Investments	-	-	-	-	-	-
Receivables	141,040	44,856	14,952	1,978	29,904	\$ 232,730
Due from Other Funds	7,139	-	245,475	28,597	5,228	\$ 286,439
Other	6,303	-	250	-	-	\$ 6,553
<b>Total Assets</b>	<u>856,880</u>	<u>107,952</u>	<u>727,718</u>	<u>65,801</u>	<u>357,050</u>	<u>2,115,401</u>
 <b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	11,342	1,484	1,049	65,778	17,982	97,635
Accrued Payroll Liabilities	16,436	-	-	-	-	16,436
Other Liabilities	4,511	-	-	-	-	4,511
Due to Other Funds	315,558	-	-	23	7,116	322,697
<b>Total Liabilities</b>	<u>347,847</u>	<u>1,484</u>	<u>1,049</u>	<u>65,801</u>	<u>25,098</u>	<u>441,279</u>
 <b>Fund Balances</b>						
	509,033	106,468	726,669	-	331,952	1,674,122
<b>Total Liabilities and Fund Balances</b>	<u>\$ 856,880</u>	<u>\$ 107,952</u>	<u>\$ 727,718</u>	<u>\$ 65,801</u>	<u>\$ 357,050</u>	<u>\$ 2,115,401</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, 2006

Total fund balance for the governmental funds \$1,674,122

Total net assets reported 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. 3,378,403

Total net assets of governmental activities \$5,052,525

See accompanying notes to the financial statements.

TOWN OF HOMER, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2006

	General	Street	Industrial Development	General and Public Facilities	Other	Total
<b>REVENUES</b>						
Taxes	\$ 728,762	\$ 293,927	\$ 97,976	\$ -	\$ 211,088	\$ 1,331,753
Licenses and permits	66,114	-	-	-	-	66,114
Intergovernmental	-	-	-	1,059,053	30,228	1,089,281
Fines	91,767	-	-	-	-	91,767
Donations	166,466	-	-	-	-	166,466
Miscellaneous	148,197	6,573	10,255	-	17,938	182,963
Total revenues	<u>1,201,306</u>	<u>300,500</u>	<u>108,231</u>	<u>1,059,053</u>	<u>259,254</u>	<u>2,928,344</u>
<b>EXPENDITURES</b>						
General government	412,054	-	60,946	-	78,006	551,006
Public safety	413,393	-	-	-	145,482	558,875
Highways and streets	82,457	291,531	-	-	-	373,988
Public works	7,692	-	-	1,081,593	-	1,089,285
Total Expenditures	<u>915,596</u>	<u>291,531</u>	<u>60,946</u>	<u>1,081,593</u>	<u>223,488</u>	<u>2,573,154</u>
Excess (deficiency) of revenues over expenditures before transfers	285,710	8,969	47,285	(22,540)	35,766	355,190
<b>TRANSFERS (TO) FROM OTHER FUNDS</b>	45,261	(54,511)	-	22,540	(65,440)	(52,150)
Excess (deficiency) of revenues over expenditures	330,971	(45,542)	47,285	-	(29,674)	303,040
Fund balance, beginning of year	178,062	152,010	679,384	-	361,626	1,371,082
Fund balance, end of year	<u>\$ 509,033</u>	<u>\$ 106,468</u>	<u>\$ 726,669</u>	<u>\$ -</u>	<u>\$ 331,952</u>	<u>\$ 1,674,122</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 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

Net Changes in Fund Balances - Total Governmental Funds \$ 303,040

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 outlays (\$631,145)  
exceeds depreciation (\$188,661) in the current  
period. 442,484

Governmental funds report principal repayments  
as expenditures. However, these amounts are  
not included in the statement of activities but  
reduces the liability in the statement of net  
assets. Those expenditures consist of:

Principal payments on long-term debt 1,768

Change in Net Assets of Governmental Activities \$ 747,292

See accompanying notes to the financial statements.

TOWN OF HOMER, LOUISIANA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2006

<b>Assets</b>	
Current Assets	
Cash	\$ -
Accounts receivable	146,075
Total Current Assets	<u>146,075</u>
Noncurrent Assets	
Restricted cash	159,198
Due from other funds	274,733
Capital assets, net	6,175,578
Total Noncurrent Assets	<u>6,609,509</u>
 Total Assets	 <u>\$ 6,755,584</u>
 <b>Liabilities and Fund Balances</b>	
Liabilities	
Accounts payable and accruals	\$ 50,454
Current portion of long term debt	48,286
Accrued interest payable	6,606
Total Current Liabilities	<u>105,346</u>
Noncurrent Liabilities	
Due to other funds	238,475
Long term debt, net of current portion	2,494,175
Customer deposits	113,111
Total Noncurrent Liabilities	<u>2,845,761</u>
 Total Liabilities	 2,951,107
 Net Assets	
Investments in capital assets, Net of related debt	3,633,117
Reserved for customer deposits	113,111
Reserved for debt service	46,807
Unrestricted	11,442
Total Net Assets	<u>3,804,477</u>
 Total Liabilities & Net Assets	 <u>\$ 6,755,584</u>

See accompanying notes to financial statements.

TOWN OF HOMER, LOUISIANA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Total</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 1,040,479
Miscellaneous	<u>17,151</u>
Total Operating Revenues	1,057,630
<b>OPERATING EXPENSES</b>	
Personal services	214,596
Contractual services	431,045
Supplies and materials	91,619
Heat, light, power	76,089
Depreciation	243,471
Other	<u>158,900</u>
Total Operating Expenses	<u>1,215,720</u>
Operating Loss before other Expenses, Contributions, and Transfers	( 158,090)
<b>OTHER EXPENSE</b>	
Interest	<u>142,008</u>
Operating Loss before Contributions and Transfers	( 300,098)
<b>CONTRIBUTIONS FROM FEDERAL GRANT</b>	707,494
<b>TRANSFERS IN</b>	<u>52,150</u>
Change in Net Assets	459,546
Net Assets, Beginning of year	<u>3,344,931</u>
Net Assets, End of Year	<u>\$ 3,804,477</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, 2006

Cash flows from operating activities:	
Cash received from customers	\$ 1,117,636
Cash payments to suppliers and employees	(1,121,874)
Other operating income	<u>9,893</u>
Net cash used by operating activities	<u>( 173,125)</u>
Cash flows from investing activities:	
Capital contributions	707,494
Construction of fixed assets	<u>( 708,188)</u>
Net cash provided by investing activities	<u>( 694)</u>
Cash flows from capital and related financing activities:	
Transfers from other funds	52,150
Payments on note payable	( 40,476)
Interest paid on notes payable	<u>( 147,862)</u>
Net cash used by capital and related financing activities	<u>( 136,188)</u>
Net decrease in cash	( 310,007)
Cash, January 1, 2006 (including \$460,205 in restricted accounts)	<u>460,205</u>
Cash, December 31, 2006 (including \$159,198 in restricted accounts)	<u>\$ 159,198</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$( 158,090)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	243,471
Changes in assets and liabilities:	
Decrease in accounts receivable	28,384
Increase in due to other funds	( 260,767)
Decrease in accounts payable	( 27,846)
Increase in customer deposits	<u>1,723</u>
Net cash used by operating activities	<u>\$ ( 173,125)</u>

See accompanying notes to financial statements.

TOWN OF HOMER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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, 2006

**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, 2005

**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, 2006

**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, 2006, \$37,454 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  
December 31, 2006  
TABLE OF CONTENTS

**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, 2006

**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 be 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 within 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 8.94 mills were levied on property with assess valuations totaling 13,021,304 and were dedicated for general operating purposes. Total taxes levied after adjustments were \$116,411. Taxes receivable at December 31, 2006 totaled \$40,419.

**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, 2006 was \$1,748,377 (excluding \$500 petty cash) and the bank's balance was \$1,787,372. The difference is due to outstanding checks and deposits at year end. The bank's balances were secured as follows:

Secured by FDIC Insurance:	\$ 200,000
Collateralized by securities pledged in the Town's name:	<u>1,587,372</u>
Total	<u>\$1,787,372</u>

**TOWN OF HOMER, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2006**

**NOTE 4            ACCOUNTS RECEIVABLE**

The following is a summary of accounts receivable at December 31, 2006:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes			
Ad valorem	\$ 40,419	\$ -	\$ 40,419
Franchise	21,653	-	21,653
Sales	149,520	-	149,520
Other	21,138	-	21,138
Charges for services	-	146,075	146,075
Total	<u>\$ 232,730</u>	<u>\$ 146,075</u>	<u>\$ 378,805</u>

**NOTE 5            CAPITAL ASSETS**

A summary of Town of Homer's capital assets at December 31, 2006 follows:

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/06</u>
<b>Government Activities</b>				
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	972,029	35,000	-	1,007,029
Infrastructure	3,212,960	538,092	-	3,751,052
Less accumulated depreciation	<u>(3,163,474)</u>	<u>(140,055)</u>	-	<u>(3,303,529)</u>
Total Buildings & Building Improvements	2,615,364	433,037	-	3,048,401
Equipment, furniture & fixtures	879,605	58,053	-	937,658
Less accumulated depreciation	<u>(694,793)</u>	<u>(48,606)</u>	-	<u>(743,399)</u>
Total Equipment, Furniture & Fixtures	184,812	9,447	-	194,259
Total Capital Assets, being depreciated	<u>2,800,176</u>	<u>442,484</u>	-	<u>3,242,660</u>
<b>Governmental Activities</b>	<u>\$ 2,935,919</u>	<u>\$ 442,484</u>	<u>-</u>	<u>\$3,378,403</u>
<b>Business-Type Activities</b>				
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	10,829,653	708,188	-	11,537,841
Less accumulated depreciation	<u>(5,196,556)</u>	<u>(226,794)</u>	-	<u>(5,423,350)</u>
Total Distribution System	5,633,097	481,394	-	6,114,491
Equipment, furniture & fixtures	282,512	-	-	282,512
Less accumulated depreciation	<u>( 218,078)</u>	<u>(16,677)</u>	-	<u>(234,755)</u>
Total Equipment, furniture & fixtures	64,434	(16,677)	-	47,757
Total Capital Assets, being Depreciated	<u>5,697,531</u>	<u>464,717</u>	-	<u>6,162,248</u>
<b>Business-Type Activities</b>	<u>\$ 5,710,861</u>	<u>\$ 464,717</u>	<u>\$ -</u>	<u>\$6,175,578</u>
<b>Primary Government</b>	<u>\$ 8,646,780</u>	<u>\$ 901,589</u>	<u>\$ -</u>	<u>\$9,548,369</u>

**TOWN OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2006**

**NOTE 6      ACCOUNTS PAYABLE AND ACCRUALS**

The following is a summary of accounts payable at December 31, 2006.

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Vendor	\$ 97,635	\$ 50,454	\$148,089
Accrued payroll liabilities	<u>16,436</u>	<u>-</u>	<u>16,436</u>
Total	<u>\$ 114,701</u>	<u>\$ 50,454</u>	<u>\$ 165,155</u>

**NOTE 7      CAPITAL PROJECTS FUNDS**

Capital Projects revenue and expenditures consisted of the following for the year ended December 31, 2006:

Airport Improvements	\$ 374,099
Sewer Improvements	<u>707,494</u>
Total expenditures	<u>\$1,081,593</u>

**NOTE 8      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 9      LONG-TERM DEBT**

The following is a summary of debt transactions of Town of Homer, Louisiana for the year ended December 31, 2006:

	<u>Balance</u> <u>12/31/2005</u>	<u>Issuances</u> <u>(Retirement)</u>	<u>Balance</u> <u>12/31/2006</u>
Sewer Revenue Bonds 6/28/96	\$ 526,355	\$( 8,422)	\$ 517,933
Sewer Revenue Bonds 11/28/88	994,957	( 14,885)	980,072
Water Revenue Bonds 7/14/94	<u>1,061,625</u>	<u>( 17,169)</u>	<u>1,044,456</u>
Balance, December 31, 2006	<u>\$2,582,937</u>	<u>\$ ( 40,476)</u>	<u>\$2,542,461</u>

TOWN OF HOMER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2006

**NOTE 9            LONG-TERM DEBT (CONTINUED)**

Bonds payable at December 31, 2006 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 6.375%	<u>\$ 517,933</u>
\$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%	<u>\$ 980,072</u>
\$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>\$1,044,456</u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2006, including interest payments of \$ 2,162,371 are as follows:

<u>Year</u> <u>Ending</u> <u>December 31</u>	
2007	188,908
2008	188,908
2009	188,357
2010	188,357
2011	188,357
2012 and thereafter	<u>3,761,945</u>
Total	<u>\$4,704,832</u>

**NOTE 10            RESTRICTED ASSETS**

Restricted assets in the proprietary fund type at December 31, 2006 are as follows:

Customer meter deposits	\$ 53,201
Contingency funds - revenue bonds	1,506
Reserve funds - revenue bonds	1,506
Sinking funds - revenue bonds	15,861
Certificates of deposit - customer meter deposits and reserve funds	<u>87,124</u>
Total	<u>\$ 159,198</u>

**TOWN OF HOMER, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2006**

**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 ranges from 16% to 16.25% during the year ended December 31, 2004. Total contributions to this retirement system were \$34,807 based on an eligible payroll of \$213,154 for the year ended December 31, 2006.

**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 15.50% to 16.25%. Contributions to this plan totaled \$23,174 for the year ended December 31, 2006 based on an eligible payroll of \$145,814.

**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.

**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, 2006**

	Original Budget	Actual	Variance Fav./((Unfav.))
<b>Revenues</b>			
<b>Taxes</b>			
Ad Valorem	\$ 140,000	\$ 124,178	\$ (15,822)
Franchise	215,000	207,139	(7,861)
Sales	415,000	391,902	(23,098)
Beer	5,000	5,543	543
Licenses and Permits	57,500	66,114	8,614
Fines	40,000	91,767	51,767
Donation	-	166,466	166,466
Intergovernmental	-	-	-
Miscellaneous	35,000	148,197	113,197
<b>Total Revenues</b>	<b>907,500</b>	<b>1,201,306</b>	<b>293,806</b>
<b>Expenditures</b>			
General government	336,800	412,054	(75,254)
Public safety	433,000	413,393	19,607
Highways and streets	120,000	82,457	37,543
Public works	-	7,692	(7,692)
<b>Total Expenditures</b>	<b>889,800</b>	<b>915,596</b>	<b>(25,796)</b>
<b>Excess/(Deficiency) or Revenues</b>			
<b>Over Expenditures before Other</b>			
<b>Financing Sources/Uses</b>	17,700	285,710	268,010
Transfers In (Out)	(50)	45,261	45,311
<b>Total Other Financing</b>			
<b>Sources/(Uses)</b>	(50)	45,261	45,311
<b>Excess of Revenues Over</b>			
<b>(Under) Expenditures</b>	17,650	330,971	313,321
<b>Fund Balances, Beginning of Year</b>	178,062	178,062	-
<b>Fund Balances, End of Year</b>	<b>\$ 195,712</b>	<b>\$ 509,033</b>	<b>\$ 313,321</b>

The Town did not amend the budget in 2006.

**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, 2006**

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAV./(UNFAV.)</u>
Revenues			
Taxes	\$ 100,000	\$ 97,976	\$ (2,024)
Miscellaneous	3,950	10,255	6,305
Total Revenues	<u>103,950</u>	<u>108,231</u>	<u>4,281</u>
Expenditures			
General government	12,700	60,946	(48,246)
Total Expenditures	<u>12,700</u>	<u>60,946</u>	<u>(48,246)</u>
Increase (Decrease) in net assets	91,250	47,285	(43,965)
Fund Balances, Beginning of Year	<u>679,384</u>	<u>679,384</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 770,634</u>	<u>\$ 726,669</u>	<u>\$ (43,965)</u>

The Town did not amend the budget in 2006.

**TOWN OF HOMER, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCE OF**  
**GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL - STREET**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAV./(UNFAV.)
Revenues			
Taxes	\$ 305,000	\$ 293,927	\$ (11,073)
Miscellaneous	30,692	6,573	(24,119)
Total Revenues	<u>335,692</u>	<u>300,500</u>	<u>(35,192)</u>
Expenditures			
Highways and streets	261,600	291,531	(29,931)
Total Expenditures	<u>261,600</u>	<u>291,531</u>	<u>(29,931)</u>
Increase (Decrease) in net assets before transfers	74,092	8,969	(65,123)
Transfers to other funds	-	(54,511)	(54,511)
Increase (Decrease) in net assets	74,092	(45,542)	(119,634)
Fund Balances, Beginning of Year	<u>152,010</u>	<u>152,010</u>	-
Fund Balances, End of Year	<u>\$ 226,102</u>	<u>\$ 106,468</u>	<u>\$ (119,634)</u>

The budget was not amended in 2006.

**TOWN OF HOMER, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCE OF**  
**GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND PUBLIC FACILITIES**  
**(CDBG)**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAV./(UNFAV.)
<b>Revenues</b>			
Intergovernmental	\$ 1,059,053	\$ 1,059,053	\$ -
Miscellaneous	-	-	-
Total Revenues	<u>1,059,053</u>	<u>1,059,053</u>	<u>-</u>
<b>Expenditures</b>			
Public works	1,059,053	1,081,593	(22,540)
Total Expenditures	<u>1,059,053</u>	<u>1,081,593</u>	<u>(22,540)</u>
Increase (Decrease) in net assets	-	(22,540)	(22,540)
Transfers from other funds	-	22,540	22,540
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Town did not amend the budget in 2006.

TOWN OF HOMER, LOUISIANA  
SCHEDULE OF COMPENSATION PAID TO MAYOR  
AND BOARD MEMBERS

YEAR ENDED DECEMBER 31, 2006

Huey Dean, Mayor	\$ 24,000
Ronald Anderson	3,200
Billy K Jenkins	4,800
Michael T. Johnson	4,000
Johnette Faulkner	800
Thomas McDonald	800
Jesse J. Ford	4,800
Carlette Sandford	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, 2006**

	<b>SPECIAL REVENUE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash	\$ 306,009	\$ 15,909	\$ 321,918
Investments	-	-	-
Receivables	29,904	-	29,904
Due from other funds	-	5,228	5,228
	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 335,913</u>	<u>\$ 21,137</u>	<u>\$ 357,050</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 17,982	\$ -	\$ 17,982
Due to other funds	5,272	1,844	7,116
<b>Total Liabilities</b>	<u>23,254</u>	<u>1,844</u>	<u>25,098</u>
 Fund balances - unreserved and undesignated	<u>312,659</u>	<u>19,293</u>	<u>331,952</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 335,913</u>	<u>\$ 21,137</u>	<u>\$ 357,050</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, 2006**

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Taxes	\$ 211,088	\$ -	\$ 211,088
Intergovernmental	25,000	5,228	\$ 30,228
Interest	12,473	-	\$ 12,473
Miscellaneous	<u>5,227</u>	<u>238</u>	<u>\$ 5,465</u>
Total revenues	<u>253,788</u>	<u>5,466</u>	<u>259,254</u>
 <b>EXPENDITURES</b>			
General government	29,270	-	29,270
Public safety	145,482	-	145,482
Highways and streets	-	-	-
Parks and recreation	45,801	2,935	48,736
Industrial development	-	-	-
Total expenditures	<u>220,553</u>	<u>2,935</u>	<u>223,488</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS</b>	33,235	2,531	35,766
 <b>TRANSFERS (TO) FROM OTHER FUNDS</b>	<u>(65,440)</u>	<u>-</u>	<u>(65,440)</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(32,205)	2,531	(29,674)
 <b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>344,864</u>	<u>16,762</u>	<u>361,626</u>
 <b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 312,659</u>	<u>\$ 19,293</u>	<u>\$ 331,952</u>

TOWN OF HOMER, LOUISIANA

Combining Balance Sheet - Special Revenue Funds

December 31, 2006

	FIRE FUND	RECREATION FUND	POLICE FUND	CONTINGENCY FUND	TOURISM FUND	COMBINED TOTALS
<b>ASSETS</b>						
Cash	\$ 172,268	\$ 48,226	\$ 2,036	\$ 51,840	\$ 31,639	\$ 306,009
Investments	-	-	-	-	-	\$ -
Receivables	7,476	7,476	7,476	7,476	-	\$ 29,904
Due from other funds	-	-	-	-	-	\$ -
Other assets	-	-	-	-	-	\$ -
<b>TOTAL ASSETS</b>	<u>\$ 179,744</u>	<u>\$ 55,702</u>	<u>\$ 9,512</u>	<u>\$ 59,316</u>	<u>\$ 31,639</u>	<u>\$ 335,913</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 242	-	\$ 17,740	-	\$ -	\$ 17,982
Due to other funds	-	-	-	-	5,272	5,272
Total Liabilities	<u>242</u>	<u>-</u>	<u>17,740</u>	<u>-</u>	<u>5,272</u>	<u>23,254</u>
Fund balances - unreserved and undesignated	179,502	55,702	(8,228)	59,316	26,367	312,659
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 179,744</u>	<u>\$ 55,702</u>	<u>\$ 9,512</u>	<u>\$ 59,316</u>	<u>\$ 31,639</u>	<u>\$ 335,913</u>

**TOWN OF HOMER, LOUISIANA**

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

For the Year Ended December 31, 2006

	FIRE FUND	RECREATION FUND	POLICE FUND	CONTINGENCY FUND	TOURISM FUND	COMBINED TOTALS
<b>REVENUES</b>						
Taxes	\$ 48,988	\$ 48,987	\$ 48,988	\$ 48,988	\$ 15,137	\$ 211,088
Intergovernmental	25,000	-	-	-	-	25,000
Interest	5,745	1,901	538	3,213	1,076	12,473
Miscellaneous	1,030	-	4,197	-	-	5,227
Total revenues	<u>80,763</u>	<u>50,888</u>	<u>53,723</u>	<u>52,201</u>	<u>16,213</u>	<u>253,788</u>
<b>EXPENDITURES</b>						
General government	-	-	-	-	29,270	29,270
Public safety	44,889	-	100,593	-	-	145,482
Highways and streets	-	-	-	-	-	-
Parks and recreation	-	45,801	-	-	-	45,801
Industrial development	-	-	-	-	-	-
Total expenditures	<u>44,889</u>	<u>45,801</u>	<u>100,593</u>	<u>-</u>	<u>29,270</u>	<u>220,553</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS</b>	35,874	5,087	(46,870)	52,201	(13,057)	33,235
<b>TRANSFERS (TO) FROM OTHER FUNDS</b>	-	-	14,510	(79,950)	-	(65,440)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	35,874	5,087	(32,360)	(27,749)	(13,057)	(32,205)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	143,628	50,615	24,132	87,065	39,424	344,864
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 179,502</u>	<u>\$ 55,702</u>	<u>\$ (8,228)</u>	<u>\$ 59,316</u>	<u>\$ 26,367</u>	<u>\$ 312,659</u>

TOWN OF HOMER, LOUISIANA

Combining Balance Sheet - Capital Project Funds

December 31, 2006

	MAYFIELD BICYCLE TRAIL	HOMER BY-PASS	SEWER CONSTRUCTION	2002 CDBG	WOODEN BUILDINGS	TOTAL
<b>ASSETS</b>						
Cash	\$ 115	\$ 11,326	\$ -	2	\$ 4,466	\$ 15,909
Due from other funds	-	5,228	-	-	-	5,228
<b>TOTAL ASSETS</b>	<u>115</u>	<u>16,554</u>	<u>-</u>	<u>2</u>	<u>4,466</u>	<u>21,137</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	-	-	-	-	-	-
Due to other funds	-	-	1,844	-	-	1,844
Total liabilities	-	-	1,844	-	-	1,844
Fund balances - unreserved and undesignated	115	16,554	(1,844)	2	4,466	19,293
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>115</u>	<u>\$ 16,554</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 4,466</u>	<u>\$ 21,137</u>

TOWN OF HOMER, LOUISIANA

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

Year Ended December 31, 2006

	MAYFIELD BICYCLE TRAIL	HOMER BY-PASS	SEWER CONSTRUCTION	2002 CDBG	WOODEN BUILDING	COMBINED TOTALS
<b>REVENUES</b>						
Grant Proceeds						
State of Louisiana CDBG	\$ -	\$ 5,228	\$ -	\$ -	\$ -	\$ 5,228
Other	-	-	-	-	-	\$ -
Interest earned	-	-	-	-	238	238
Total revenues	-	5,228	-	-	238	5,466
<b>EXPENDITURES</b>						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Parks and recreation	-	-	-	-	2,935	2,935
Industrial development	-	-	-	-	-	-
Total expenditures	-	-	-	-	2,935	2,935
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	5,228	-	-	(2,697)	2,531
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	115	11,326	(1,844)	2	7,163	16,762
<b>FUND BALANCES AT END OF YEAR</b>	\$ 115	\$ 16,554	\$ (1,844)	\$ 2	\$ 4,466	\$ 19,293

Town of Homer, Louisiana

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2006**

<u>FEDERAL GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
<u>U.S. Divison of Adminsitration</u> Passed through the Louisiana Department of Community Development:				
Public Facilities Program *	14.228	\$ 860,900	\$ 707,494	\$ 707,494
<u>U.S Federal Avaiation</u> Administration:				
Improve Airport Runway	20.106	214,260	126,550	126,550
Rehabilitate Taxiway	20.106	234,859	212,460	212,460
<u>Federal Emergency Management Agency</u>				
New Program	NP	<u>12,782</u>	<u>12,782</u>	<u>12,782</u>
Total - All Federal Awards		<u>\$1,322,801</u>	<u>\$1,059,286</u>	<u>\$1,059,286</u>

\* Denotes Major Program



# 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, 2006, and have issued my report thereon, dated June 12, 2007. 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 a certain deficiency in internal control over financial reporting that I consider to be a 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 Finding #2006-1 and 2006-7 described in the accompanying schedule of findings and questioned costs, lack of segregation of duties, to be a significant deficiencies in internal control over financial reporting.

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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 2006-1 and 2006-7, lack of segregation of duties, are material weaknesses.

#### 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 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 2006-2, 2006-3, 2006-4, 2006-5, 2006-6, 2006-8, and 2006-9.

This report is intended solely for the information of management, the Board of Selectmen, 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.

*Manda D. Mullican*

Certified Public Accountant  
June 12, 2007



# Marsha O. Millican

**CERTIFIED PUBLIC ACCOUNTANT**

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

## Compliance

I have audited the compliance of the Town of Homer, Louisiana, 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 year ended December 31, 2006. The Town of Homer, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management of the Town of Homer, Louisiana. My responsibility is to express an opinion of the Town of Homer, Louisiana's compliance based on my audit.

I conducted my 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 I 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, Louisiana's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town of Homer, Louisiana's compliance with those requirements.

In my opinion, the Town of Homer, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

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Internal Control Over Compliance

The management of the Town of Homer, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Homer, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

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.

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 was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Town Council, and federal and state awarding agencies 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.

*Marda D. Mellican*

Certified Public Accountant  
June 12, 2007

TOWN OF HOMER

Schedule of Findings and Questioned Costs

Year Ended December 31, 2006

Summary of Audit Results

1. The auditor's report expresses an adverse opinion on the financial statements.
2. The auditor's report on compliance for the major federal award programs for Town of Homer expresses an unqualified opinion on all major federal programs.
3. The programs tested as major programs included:  
20.106 Community Development Block Grant
4. The threshold for distinguishing Type A and B programs was \$500,000.
5. Town of Homer was not determined to be a low risk auditee.

FINDING/NONCOMPLIANCE

There were no questioned costs for the year ended December 31, 2006.

FINDING 2006-1:

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

Recommendation: I recommend duties be segregated whenever possible.

Management's Reponse: We agree with the finding.

Management's Corrective Action Plan: Based upon the size of the administrative office and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties; however, the Town is aware of the benefits of segregation of duties and will do so whenever possible.

FINDING 2006-2: The Town is not adequately managing utility receivables. Customer balances sixty days or more past due at December 31, 2006 totaled \$59,983 or 41% of utility receivables. This is an increase of 60% in receivables sixty days or more past due from the prior year.

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.

Management's Reponse: We agree with the finding.

Management's Corrective Action Plan: We will enforce the Town's cut-off policy and increase our collection efforts for past due water bills that are in excess of customer deposits.

TOWN OF HOMER

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2006

FINDING 2006-3:

Condition: The Town transferred restricted funds totaling \$660,432 to the General Fund in 2006 as follows:

Funds restricted for Water Revenue Bonds	\$117,113
Funds restricted for Sewer Revenue Bonds	304,844
Funds restricted for Industrial Development	<u>238,475</u>
Total funds transferred from restricted funds	<u>\$660,432</u>

Recommendation: Restricted funds should be used for intended purposes.

Management's Response: We agree with the finding.

Management's Corrective Action Plan: The prior administration transferred restricted monies to the general fund. These monies were restored to the restricted accounts in January, 2007 by the current administration.

FINDING 2006-4:

Condition: The Town is not in compliance with the requirements of the Sewer Revenue Bond Indenture. The Bond Indenture requires deposits to be made to a Sinking Fund, Reserve Fund, and Contingency fund on a monthly basis. The Town made deposits on a quarterly basis rather than monthly. Three of the deposits to each account were not made on a timely basis. Required deposits to the Sinking Fund were 116,415; deposits made by the Town totaled \$112,109. Only eleven deposits were made to the Reserve Fund and the Contingency Fund in 2006.

Recommendation: I recommend the Town make monthly deposits to restricted funds as required by the Sewer Revenue Bond Indenture.

Management's Reponse: We agree with the finding.

Management's Corrective Action Plan: We did not make deposits to the restricted funds in the month of December due to the fact that the prior administration wrote a check (that was later voided) to pay the bonds in full in December, 2006. We will make deposits to restricted accounts as required by the Sewer Revenue Bond Indenture.

FINDING 2006-5:

Condition: The Town is not in compliance with the requirements of the Water Revenue Bond Indenture. The Bond Indenture requires deposits to be made to a Sinking Fund, Reserve Fund, and Contingency fund on a monthly basis. Deposits were not made on a timely basis four times. Overdraft fees of \$50 were paid from the Sinking Fund.

Recommendation: I recommend the Town make monthly deposits to restricted funds as required by the Water Revenue Bond Indenture.

Management's Reponse: We agree with the finding.

Management's Corrective Action Plan: We will make deposits to restricted accounts as required by the Water Revenue Bond Indenture.

TOWN OF HOMER

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2006

**FINDING 2006-6:**

**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.

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

**Management's Reponse:** We agree with the finding.

**Management's Corrective Action Plan:** We feel that the fees that the Town has added to water and sewer customers that the revenue generated should satisfy the debt.

**FINDING 2006-7:**

**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.

**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.

**Management's Reponse:** We agree with the finding.

**Management's Corrective Action Plan:** The Police Department has only one civilian in their employ. That employee's office hours are a standard eight to five. It is unreasonable for the Town of Homer to hire another employee to designate these duties. However, the Police Department will work with the Business Office to remedy these issues. The Police Department does not have a twenty-four (24) hour dispatcher. Therefore, all employees need access to this computer.

**FINDING 2006-8:**

**Condition:** The Town deposited LCDBG funds in an interest bearing account. LCDBG funds are required to be deposited into a non-interest bearing account.

**Recommendation:** I recommend all LCDBG funds be deposited into a non-interest bearing account.

**Management's Reponse:** We agree with the finding.

**Management's Corrective Action Plan:** This was an oversight by the Town. We will deposit LCDBG funds in non-interest bearing accounts in the future.

**FINDING 2006-9:**

**Condition:** The Town is not in compliance with the State Budget Law. Actual expenditures exceeded budgeted expenditures by 5% or more; the Town did not amend the budget.

**Recommendation:** I recommend the Town comply with the State Budget Law.

**Management's Corrective Action Plan:** We will comply with the State Budget Law in the future.

TOWN OF HOMER

Corrective Action Taken on Prior Year of Findings

Year Ended December 31, 2006

**FINDING 2005-1:**

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

**Status:** Unresolved.

**FINDING 2005-02:**

**Condition:** The Town is not in compliance with the requirements of the Sewer Revenue Bond Indenture. The Bond Indenture requires deposits to be made to a Sinking Fund, Reserve Fund, and Contingency fund on a monthly basis. The Town made deposits on a quarterly basis rather than monthly. The total deposits made to these accounts in 2005 equaled the amounts due for eleven months. The deposits required for the month of December were not made in 2005.

**STATUS:** The Town began making monthly rather than quarterly deposits to the sinking fund, but on three occasions, the deposits were not made in a timely basis.

**FINDING 2005-03:**

**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.

**Status:** Unresolved.

**FINDING 2005-04:**

**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.

**Status:** Unresolved.

**FINDING 2005-5:**

**Condition:** The Town is not in compliance with the State Budget Law. Actual expenditures exceeded budgeted expenditures by 5% or more; the Town did not amend the budget.

**Status:** Unresolved.