

Town of Franklinton

Annual Financial Statements

As of and for the Year Ended October 31, 2019
With Supplementary Information Schedules

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

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Town of Franklinton
Annual Financial Statements
As of and for the Year Ended October 31, 2019
With Supplementary Information Schedules

TABLE OF CONTENTS

	Statement	Page
Independent Auditor’s Report		6
Required Supplementary Information (Part I):		
Management’s Discussion and Analysis.....		9
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position.....	A	21
Statement of Activities	B	22
Fund Financial Statements:		
Governmental Funds Financial Statements:		
Balance Sheet, Governmental Funds	C	24
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Financial Statement of Net Position.....	D	25
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	28
Proprietary Fund Financial Statements:		
Statement of Net Position	G	29
Statement of Revenues, Expenses and Changes in Net Position	H	30
Statement of Cash Flows	I	31
Notes to the Financial Statements		33

Town of Franklinton
Annual Financial Statements
As of and for the Year Ended October 31, 2019
With Supplementary Information Schedules

TABLE OF CONTENTS

	Schedule	Page
Required Supplementary Information (Part II):		
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund - Summary.....	1	79
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund - Detail	2	81
Schedule of Changes in Net OPEB Liability and Related Ratios	3	85
Schedule of the Town’s Proportionate Share of the Net Pension Liability	4.1-4.3	86
Schedule of the Town of Franklinton’s Contributions.....	5.1-5.3	89
Other Supplementary Information:		
Non-Major Governmental Funds:		
Description of Nonmajor Funds		93
Combining Balance Sheet, Nonmajor Governmental Funds.....	6	94
Combining Balance Sheet, Nonmajor Special Revenue Funds.....	6.1	95
Combining Balance Sheet, Nonmajor Other Governmental Funds.....	6.2	96
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Governmental Funds	7	97
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Special Revenue Funds	7.1	98
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Other Governmental Funds	7.2	99
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Police Ad Valorem	8	100
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Streets and Drainage Ad Valorem.....	9	101

Town of Franklinton
Annual Financial Statements
As of and for the Year Ended October 31, 2019
With Supplementary Information Schedules

TABLE OF CONTENTS

	Schedule	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Industrial Development Sales Tax Fund	10	102
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Rural Development Grant Fund	11	103
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Special Revenue Fund – Economic Development and Recreation Sales Tax Fund.....	12	104
Proprietary Funds - Utility Fund:		
Schedule of Net Position	13	105
Schedule of Revenues, Expenses and Changes in Net Position.....	14	106
Schedule of Cash Flows	15	107
Combining Schedule of Net Position by Department	16	109
Combining Schedule of Revenues, Expenses & Changes in Net Position by Dept.	17	110
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Gas Utility System	18	111
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Water Utility System.....	19	112
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Sewer Utility System	20	113
Schedule of Gas, Water and Sewer Rates	21	114
Schedule of Number of Customers	21	114
Schedule of Insurance	22	115
Schedule of Compensation Paid to Board Members.....	23	116
Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head.....	24	117
Schedule of Federal Awards	25	118

Town of Franklinton
Annual Financial Statements
As of and for the Year Ended October 31, 2019
With Supplementary Information Schedules

TABLE OF CONTENTS

	Schedule	Page
Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		119
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....		121
Schedule of Current Year Audit Findings and Questioned Costs		123
Schedule of Prior Year Audit Findings and Responses.....		124

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MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Richard Dillon
And Board of Aldermen
Town of Franklinton, 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 Franklinton, Louisiana, as of and for the year ended October 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklinton, Louisiana, as of October 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof or the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 11-19), the budgetary comparison information (pages 79-84), the Schedule of changes in Net OPEB Liability and Related Ratios (page 85), the Schedule of the Town's Proportionate Share of Net Pension Liability (pages 86-88) and Schedule of the Town's Contributions (pages 89-91) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Franklinton's basic financial statements. The introductory section, combining and individual fund financial statements, statistical sections, schedule of insurance, schedule of compensation paid to board members, and schedule of compensation, benefits, and other payments to the agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The introductory section, combining and individual fund financial statements, statistical sections, schedule of insurance, schedule of compensation paid to board members, schedule of compensation, benefits, and other payments to the agency head, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 21, 2020 on my consideration of the Town of Franklinton's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Franklinton's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Minda Raybourn".

Minda Raybourn CPA
Franklinton, Louisiana
June 21, 2020

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Required Supplementary Information (Part I)
Management's Discussion and Analysis

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019

Introduction

The Town of Franklinton, Louisiana (the Town) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards are more fully described in Footnote 1 – *Summary of Significant Accounting Policies*.

The Town's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position, (d) identify any significant variations from the Town's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Town's financial statements.

Financial Highlights

- At October 31, 2019, the Town's assets exceeded its liabilities by \$10,204,543 (net position). The Town reported a balance of \$1,277,759 in total unrestricted net position.
- The most significant on-going continuing revenue sources for governmental activities of the Town consisted of \$2,482,963 in sales tax revenues, \$479,915 in property taxes, \$216,327 in public utility franchise taxes, and \$340,494 for business licenses and permits. Charges for business-type activities of the utility fund were \$853,554 in gas charges, \$687,333 in water charges and \$901,656 in sewer charges.
- The Town's significant expenditures in the current year for governmental activities included \$595,119 for general governmental activities, \$2,633,972 for police and fire protection, and \$685,173 for public works, including streets and drainage maintenance. Expenses for business-type activities of the gas, water, and sewer departments totaled \$2,179,777.
- For the year ended October 31, 2019, the Town's bonds payable in long term debt decreased by principal payments of \$328,408, resulting in ending bonds payable of \$6,769,619.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019

Overview of the Annual Financial Report

The financial statement focus is on both the Town as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the Town's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support are presented in separate columns along with a total column for the primary government. If the Town determines that presentation of a component unit (which are other governmental units for which the Town can exercise significant influences or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote. For the current fiscal year, the Town of Franklinton has no component units.

The Statement of Net Position presents information on the Town's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position and changes in the components of net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the Town's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

In both of the government-wide financial statements, the Town's activities are divided into two types:

Governmental activities - Most of the Town's basic services are reported here, including general government, public safety, streets and sanitation, health and welfare, and culture and recreation. These activities are financed primarily by property taxes, franchise taxes, sales taxes, fire insurance rebates, and fines.

Business-type activities - The Town charges a fee to customers to help it cover all of the cost of the services provided. The Town's water, natural gas, and sewer utility systems are reported in this section.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019**

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Town uses two categories of funds to account for financial transactions: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds are used to account for most of the Town's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Proprietary funds account for water, natural gas, and sewer utility services provided by the Town to its customers. Proprietary funds statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for the current year as compared to the prior year.

	Net Position					
	2019 and 2018					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets:						
Current and Other Assets	\$ 3,472,534	\$ 2,962,580	\$ 4,739,690	\$ 4,411,731	\$ 8,212,224	\$ 7,374,311
Capital Assets	5,451,368	5,808,948	7,886,338	7,531,029	13,337,706	13,339,977
Total Assets	<u>8,923,902</u>	<u>8,771,528</u>	<u>12,626,028</u>	<u>11,942,760</u>	<u>21,549,930</u>	<u>20,714,288</u>
Deferred Outflows of Resources	488,310	506,202	133,056	177,244	621,366	683,446
Total Assets and Deferred Outflows of Resources	<u>9,412,212</u>	<u>9,277,730</u>	<u>12,759,084</u>	<u>12,120,004</u>	<u>22,171,296</u>	<u>21,397,734</u>
Liabilities:						
Long-Term Debt Outstanding	3,610,087	3,764,854	7,094,483	7,367,240	10,704,570	11,132,094
Other Liabilities	396,730	395,939	363,178	691,928	759,908	1,087,867
Total Liabilities	<u>4,006,817</u>	<u>4,160,793</u>	<u>7,457,661</u>	<u>8,059,168</u>	<u>11,464,478</u>	<u>12,219,961</u>
Deferred Inflows of Resources	410,285	510,053	91,990	39,621	502,275	549,674
Total Liabilities and Deferred Inflows of Resources	<u>4,417,102</u>	<u>4,670,846</u>	<u>7,549,651</u>	<u>8,098,789</u>	<u>11,966,753</u>	<u>12,769,635</u>
Net Position:						
Net Investment in Capital Assets	4,996,368	5,138,948	1,845,943	(3,651,012)	6,842,311	1,487,936
Restricted	1,817,584	1,610,567	266,889	273,535	2,084,473	1,884,102
Unrestricted	(1,818,842)	(2,142,631)	3,096,601	7,398,692	1,277,759	5,256,061
Total Net Position	<u>\$ 4,995,110</u>	<u>\$ 4,606,884</u>	<u>\$ 5,209,433</u>	<u>\$ 4,021,215</u>	<u>\$ 10,204,543</u>	<u>\$ 8,628,099</u>

Approximately sixty-seven percent of the Town's net position reflects its net investment in capital assets (land, buildings, equipment, infrastructure, and improvements, net of depreciation and the remaining debt held on those assets). These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Approximately twenty-one percent of the Town's net position represents resources that are subject to external restriction on how they may be used. The Town's restricted net position primarily consists of fund balances restricted by legislation, capital projects funds, grants, and other specified purposes in governmental activities and cash reserves required for customer deposits in business-type activities net of corresponding liabilities. The Town's unrestricted net position was eleven percent of the Town's net position.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position, for business-type activities. The unrestricted net position for governmental activities had a deficit of \$1,818,842 due to the implementation of GASB 68 and 71. The Town's activities increased its total net position by \$1,576,444, with governmental activities increasing net position by \$388,226 and business-type activities increasing net position by \$1,188,218.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019**

In order to further understand what makes up the changes in net position, the table on the following page provides a summary of the results of the Town's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table.

**Changes in Net Position
For the years ended October 31, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 712,695	\$ 674,694	\$ 2,442,543	\$ 2,463,969	\$ 3,155,238	\$ 3,138,663
Operating Grants and Contributions	105,249	109,965	16,048	19,209	121,297	129,174
Capital Grants and Contributions	80,882	4,878	844,624	933,915	925,506	938,793
General Revenues:						
Taxes	3,179,205	3,070,339	-	-	3,179,205	3,070,339
Intergovernmental	265,458	265,438	-	-	265,458	265,438
FEMA	169,774	-	-	-	169,774	-
Unrealized Gain (Loss)	-	-	26,074	300	26,074	300
Interest Income	7,897	6,044	18,799	15,061	26,696	21,105
Miscellaneous	158,584	160,642	94,907	105,675	253,491	266,317
Gain on Sale of Assets	7,825	-	-	-	7,825	-
Total Revenues	4,687,569	4,292,000	3,442,995	3,538,129	8,130,564	7,830,129
Expenses:						
General Government	595,119	631,052	-	-	595,119	631,052
Public Safety	2,633,972	2,488,029	-	-	2,633,972	2,488,029
Public Works	685,173	691,029	-	-	685,173	691,029
Sanitation	269,708	264,342	-	-	269,708	264,342
Health and Welfare	30,020	28,122	-	-	30,020	28,122
Transportation	7,986	7,386	-	-	7,986	7,386
Recreation	43,614	22,118	-	-	43,614	22,118
Economic Development	36,300	35,226	-	-	36,300	35,226
Bond Interest Expense	16,951	22,264	-	-	16,951	22,264
Water, Gas, and Sewer Utility	-	-	2,179,777	2,283,666	2,179,777	2,283,666
Total Expenses	4,318,843	4,189,568	2,179,777	2,283,666	6,498,620	6,473,234
Change in Net Position Before Transfers	368,726	102,432	1,263,218	1,254,463	1,631,944	1,356,895
Transfers (Out) In	75,000	75,000	(75,000)	(75,000)	-	-
Transfers to Other Governments	(55,500)	(55,000)	-	-	(55,500)	(55,000)
Change in Net Position	388,226	122,432	1,188,218	1,179,463	1,576,444	1,301,895
Net Position, Beginning	4,606,884	4,626,985	4,021,215	2,927,334	8,628,099	7,554,319
Prior Period Adjustments	-	(142,533)	-	(85,582)	-	(228,115)
Net Position, Beginning	4,606,884	4,484,452	4,021,215	2,841,752	8,628,099	7,326,204
Net Position, Ending	\$ 4,995,110	\$ 4,606,884	\$ 5,209,433	\$ 4,021,215	\$ 10,204,543	\$ 8,628,099

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019**

Governmental Activities

The Town's governmental net position increased by \$388,226 as compared to a prior fiscal year net position increase of \$122,432 (before prior period adjustments). The most significant factor in this change in net position is an increase of revenue of nine percent or \$395,569.

Charges for Services increased by six percent or \$38,001. Capital grants increased by \$76,004 to \$80,882. FEMA revenues increased by one hundred percent or \$169,774. Intergovernmental revenues remained consistent. Property tax revenues increased by less than one percent to \$479,915. Sales taxes increased by less than five percent to \$2,482,963. Miscellaneous revenues decreased by one percent or by \$2,058.

General government expenses decreased six percent or \$35,933 to \$595,119 after decreases in expenditures for salaries of \$16,768, employee benefits of \$20,884. Public Safety expenses increased six percent or \$145,943 to \$2,633,972. This was driven by an increase in other post-employment benefits of \$117,714, police retirement of \$21,275, schools and training of \$13,166 and decreases in salaries of \$7,690 and insurance expense of \$29,532. Also, the fire department also had increases in salaries of \$13,856 and small equipment purchases of \$17,265.

Public works expenses decreased one percent or \$5,856 to \$685,173 after decreases in salaries of \$6,358. Sanitation expenses increased two percent or \$5,366 to \$269,708 after a \$3,350 increase in equipment repairs and \$1,906 increase in garbage contract expense. Recreation expenses increased ninety-seven percent or \$21,496 to \$43,614. This was driven by an increase of \$17,483 in miscellaneous recreation expenses. Economic Development expenses increased \$1,074 or three percent due mainly to an increase of \$1,096 in miscellaneous economic development expenses. Transfers to Other Governments included transfers to the Franklinton Economic Development District of \$55,000 for disbursements related to the landfill.

Business-Type Activities

The Town's business-type net position increased by \$1,188,218 or thirty percent of prior year ending net position (before prior period adjustments), to \$5,209,433. Charges for services decreased by one percent or \$21,426 after a thirteen percent increase in the prior year. Total expenses for the utility fund decreased \$103,889 or five percent after a decrease of \$158,996 or seven percent in the prior year (before prior period adjustments). Gas sales decreased less than one percent or \$3,030. Water sales decreased one percent or \$10,238 and sewer charges decreased by one percent or \$8,158. Bond issuance costs decreased \$19,408 related to the permanent financing for the sewer construction project in the prior year. Salaries decreased \$132,933, repairs and maintenance decreased \$29,690, employee benefits decreased \$19,064, and supplies decreased \$15,017. Interest expense increased \$65,384 and depreciation increased \$49,076. The net effect for the utility fund was a change in net position (before prior period adjustment) of \$60,792 for the Gas Utility System, a change of \$275,841 for the Water Utility System, and a change of \$851,585 for the Sewer Utility System.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019**

Fund Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$3,300,804. Fund balance was as follows: non-spendable \$82,195, restricted \$1,817,584, assigned \$482,809, and unassigned \$918,216.

This represents an increase of \$519,163, for all governmental funds after prior period adjustment, from the prior year's ending fund balance. The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the General Fund was \$1,483,220. All funds had a positive ending fund balance.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Governmental Fund Budgetary Highlights

There were no funds, other than noted below, that had actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other uses over budgeted amounts resulting in unfavorable variances greater than five percent in accordance with the Local Government Budget Act for the fiscal year ended October 31, 2019. The Economic Development and Recreation Sales Tax Fund had actual expenditures greater than five percent of the budgeted amounts. This was due to a variance of only \$3,738 between actual and budgeted expenditures.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019**

Capital Assets and Debt Administration

Capital Assets

The Town's capital assets for its governmental and business-type activities as of October 31, 2019 amounts to \$13,337,706 (net of depreciation). The total increase in the Town's capital assets for the current fiscal year was \$2,271 (net of depreciation). The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year.

**Capital Assets (Net of Depreciation)
2019 and 2018**

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 481,801	\$ 481,801	\$ 3,300	\$ 3,300	\$ 485,101	\$ 485,101
Buildings and Improvements	5,003,023	5,003,023	-	-	5,003,023	5,003,023
Office Furniture and Equipment	281,893	278,194	-	-	281,893	278,194
Machinery and Equipment	2,157,743	2,131,101	-	-	2,157,743	2,131,101
Vehicles	1,934,458	1,790,451	-	-	1,934,458	1,790,451
Infrastructure	4,332,466	4,332,466	-	-	4,332,466	4,332,466
Construction in Progress	25,158	20,088	18,414	5,026,040	43,572	5,046,128
Gas Utility System	-	-	1,208,137	1,208,137	1,208,137	1,208,137
Water Utility System	-	-	2,933,688	2,908,028	2,933,688	2,908,028
Sewer Utility System	-	-	14,614,916	8,894,120	14,614,916	8,894,120
Subtotal Capital Assets	14,216,542	14,037,124	18,778,455	18,039,625	32,994,997	32,076,749
Less: Accumulated Depreciation	<u>(8,765,174)</u>	<u>(8,228,176)</u>	<u>(10,892,117)</u>	<u>(10,508,596)</u>	<u>(19,657,291)</u>	<u>(18,736,772)</u>
Capital Assets, Net	\$ 5,451,368	\$ 5,808,948	\$ 7,886,338	\$ 7,531,029	\$ 13,337,706	\$ 13,339,977

Significant capital additions for the fiscal year ending October 31, 2019, consisted of the following:

- For governmental funds, \$113,164 for three new vehicles and related equipment for the police department, \$27,194 for a new vehicle for the administrative department, \$22,000 for two new vehicles for the street department, \$2,410 for fire equipment, \$999 for police computer, \$2,700 for a copier for the police department, \$11,562 for police equipment, and \$12,670 for street equipment. The Town also sold a police vehicle with an original cost of \$18,351 that was fully depreciated for \$7,825.
- For business-type funds, the major increases were for completion of Contracts A-D of sewer improvements of \$5,696,010, a sewer pump in the amount of \$24,786, water meter changeouts for \$25,012, and a laptop for \$648.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2019**

Long-Term Debt

At October 31, 2019, the Town had total debt outstanding of \$6,769,619. Of this total, \$372,378 (including current bond and leases payable) is due within one year and \$6,397,241 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year.

**Outstanding Debt
2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue Bonds	\$ 455,000	\$ 670,000	\$ 6,314,619	\$ 6,428,027	\$ 6,769,619	\$ 7,098,027
Interim Financing	-	-	-	-	-	-
Total Outstanding Debt	<u>\$ 455,000</u>	<u>\$ 670,000</u>	<u>\$ 6,314,619</u>	<u>\$ 6,428,027</u>	<u>\$ 6,769,619</u>	<u>\$ 7,098,027</u>

Other Factors Affecting the Town

The Town of Franklinton's management approach is conservative. When possible, the Mayor and Aldermen attempt to provide services for the Town based on existing revenues and to borrow for long-term projects only when absolutely necessary, actively pursuing grant funds to minimize the cost of major projects. The Town is facing increasing costs and has an obligation to its citizens to maintain or increase the level of services being provided.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, creditors and investors with a general overview of the Town's finances and show the Town's accountability for the money it receives. If you have questions regarding this report or need additional information, contact the Town at 301 11th Avenue, Franklinton, LA 70438. The phone number for the Town is (985) 839-3560.

Basic Financial Statements
Government-Wide Financial Statements

Town of Franklinton
Statement of Net Position
As of October 31, 2019

Statement A

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 983,753	\$ 976,789	\$ 1,960,542
Investments	159,232	2,450,004	2,609,236
Receivables, Net:			
Intergovernmental	337,509	-	337,509
Accounts and Other	357	384,275	384,632
Franchise Taxes	59,632	-	59,632
Due From Other Funds	26,004	-	26,004
Inventory	7,918	128,410	136,328
Prepaid Expenses	82,519	29,411	111,930
Total Current Assets	<u>1,656,924</u>	<u>3,968,889</u>	<u>5,625,813</u>
Restricted Assets:			
Restricted Cash and Cash Equivalents	1,722,560	709,652	2,432,212
Restricted Investments	93,050	61,149	154,199
Total Restricted Assets	<u>1,815,610</u>	<u>770,801</u>	<u>2,586,411</u>
Capital Lease Receivable, Net	-	-	-
Capital Assets:			
Land	481,801	3,300	485,101
Construction in Progress	25,158	18,414	43,572
Capital Assets, Net	4,944,409	7,864,624	12,809,033
Total Capital Assets	<u>5,451,368</u>	<u>7,886,338</u>	<u>13,337,706</u>
Total Assets	<u>8,923,902</u>	<u>12,626,028</u>	<u>21,549,930</u>
Deferred Outflows of Resources			
Pension Related	488,310	133,056	621,366
Total Deferred Outflows of Resources	<u>488,310</u>	<u>133,056</u>	<u>621,366</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 9,412,212</u>	<u>\$ 12,759,084</u>	<u>\$ 22,171,296</u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 18,165	\$ 24,706	\$ 42,871
Other Accrued Payables	116,426	13,029	129,455
Due To Other Funds	-	26,004	26,004
Customer Deposits	-	139,696	139,696
Bonds Payable	225,000	147,378	372,378
Compensated Absences Payable	37,139	12,365	49,504
Total Current Liabilities	<u>396,730</u>	<u>363,178</u>	<u>759,908</u>
Long Term Liabilities:			
Bonds Payable	230,000	6,167,241	6,397,241
Net Pension Liability	2,725,454	598,407	3,323,861
Other Post Employment Benefits Obligation	416,261	263,341	679,602
Compensated Absences Payable	238,372	65,494	303,866
Total Long Term Liabilities	<u>3,610,087</u>	<u>7,094,483</u>	<u>10,704,570</u>
Total Liabilities	<u>4,006,817</u>	<u>7,457,661</u>	<u>11,464,478</u>
Deferred Inflows of Resources			
Pension Related	410,285	91,990	502,275
Total Deferred Inflows of Resources	<u>410,285</u>	<u>91,990</u>	<u>502,275</u>
Net Position			
Net Investment in Capital Assets	4,996,368	1,845,943	6,842,311
Restricted for:			
General Facilities & Development-Sales Tax	341,920	-	341,920
Public Safety-Ad Valorem Tax	196,369	-	196,369
Public Works-Ad Valorem Tax	540,621	-	540,621
Economic Development & Recreation-Sales Tax	703,140	-	703,140
Rural Development Grant	35,472	-	35,472
Debt Service	62	266,889	266,951
Unrestricted	(1,818,842)	3,096,601	1,277,759
Total Net Position	<u>4,995,110</u>	<u>5,209,433</u>	<u>10,204,543</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 9,412,212</u>	<u>\$ 12,759,084</u>	<u>\$ 22,171,296</u>

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Activities
For the year ended October 31, 2019

	Program Revenues				Net (Expenses) Revenues and Changes of Primary Government			
	Expenses	Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Net (Expenses) Revenues	Governmental Activities	Business- Type Activities	Total
Governmental Activities								
General Government	\$ 595,119	\$ 540,494	\$ 6,474	\$ 5,070	\$ (243,081)	\$ (243,081)	\$ -	\$ (243,081)
Public Safety	2,633,972	68,013	93,143	74,942	(2,397,874)	(2,397,874)	-	(2,397,874)
Public Works	685,173	-	5,632	-	(679,541)	(679,541)	-	(679,541)
Sanitation	269,708	304,188	-	-	34,480	34,480	-	34,480
Health and Welfare	30,020	-	-	-	(30,020)	(30,020)	-	(30,020)
Transportation	7,986	-	-	870	(7,116)	(7,116)	-	(7,116)
Recreation	43,614	-	-	-	(43,614)	(43,614)	-	(43,614)
Economic Development	36,300	-	-	-	(36,300)	(36,300)	-	(36,300)
Bond Interest Expense	16,951	-	-	-	(16,951)	(16,951)	-	(16,951)
Total Governmental Activities	<u>\$ 4,318,843</u>	<u>\$ 712,695</u>	<u>\$ 105,249</u>	<u>\$ 80,882</u>	<u>\$ (3,420,017)</u>	<u>(3,420,017)</u>	<u>-</u>	<u>(3,420,017)</u>
Business-type Activities								
Gas	\$ 805,208	\$ 853,554	\$ 6,630	\$ -	\$ 54,976	-	54,976	54,976
Water	466,394	687,333	4,770	-	225,709	-	225,709	225,709
Sewer	908,175	901,656	4,648	844,624	842,753	-	842,753	842,753
Total Business-type Activities	<u>\$ 2,179,777</u>	<u>\$ 2,442,543</u>	<u>\$ 16,048</u>	<u>\$ 844,624</u>	<u>\$ 1,123,438</u>	<u>-</u>	<u>1,123,438</u>	<u>1,123,438</u>
General Revenues:								
Taxes:								
Property Taxes						479,915	-	479,915
Sales Taxes						2,482,963	-	2,482,963
Franchise Taxes						216,327	-	216,327
Intergovernmental						265,458	-	265,458
FEMA						169,774	-	169,774
Unrealized Gain (Loss)						-	26,074	26,074
Interest Income						7,897	18,799	26,696
Donations						-	-	-
Miscellaneous						158,584	94,907	253,491
Gain on Sale of Assets						7,825	-	7,825
Transfers to Other Governments						(55,500)	-	(55,500)
Transfers In (Out)						75,000	(75,000)	-
Total General Revenues and Transfers						<u>3,808,243</u>	<u>64,780</u>	<u>3,873,023</u>
Change in Net Position						388,226	1,188,218	1,576,444
Net Position - Beginning						<u>4,606,884</u>	<u>4,021,215</u>	<u>8,628,099</u>
Net Position - Ending						<u>\$ 4,995,110</u>	<u>\$ 5,209,433</u>	<u>\$ 10,204,543</u>

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements

Fund Financial Statements

Statement C

Town of Franklinton
Balance Sheet - Governmental Funds
As of October 31, 2019

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 983,753	\$ -	\$ 983,753
Investments	159,232	-	159,232
Receivables, Net:			
Intergovernmental	325,430	12,047	337,477
Accounts and Other	357	32	389
Franchise Taxes	59,632	-	59,632
Due From Other Funds	26,186	20	26,206
Inventory	7,918	-	7,918
Prepaid Expenses	74,277	8,242	82,519
Restricted Cash	-	1,722,560	1,722,560
Restricted Investments	-	93,050	93,050
Total Assets	<u>\$ 1,636,785</u>	<u>\$ 1,835,951</u>	<u>\$ 3,472,736</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ 18,165	\$ 18,165
Construction Payable	-	-	-
Compensated Absences	37,139	-	37,139
Other Accrued Expenses	116,426	-	116,426
Due to Other Funds	-	202	202
Total Liabilities	<u>153,565</u>	<u>18,367</u>	<u>171,932</u>
Fund Balances:			
Nonspendable	82,195	-	82,195
Restricted Fund Balances	-	1,817,584	1,817,584
Assigned	482,809	-	482,809
Unassigned Fund Balances	918,216	-	918,216
Total Fund Balances	<u>1,483,220</u>	<u>1,817,584</u>	<u>3,300,804</u>
Total Liabilities and Fund Balances	<u>\$ 1,636,785</u>	<u>\$ 1,835,951</u>	<u>\$ 3,472,736</u>

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of October 31, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances, Total Governmental Funds (Statement C)	\$	3,300,804
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.

Governmental capital assets net of depreciation		5,451,368
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Long-term liabilities including bonds payable, loans payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds. Current accrued interest on long term debt is also not reported in the governmental funds.

Bonds Payable		(455,000)
Net Pension Liability		(2,725,454)
Deferred Outflows of Resources		488,310
Deferred Inflows of Resources		(410,285)
Unfunded Net Other Post Employment Benefits Obligation for Health Insurance		(416,261)
Compensated Absences Payable		(238,372)

Net Position of Governmental Activities (Statement A)	\$	<u><u>4,995,110</u></u>
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The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended October 31, 2019

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,754,417	\$ 424,788	\$ 3,179,205
Licenses and Permits	340,494	-	340,494
Intergovernmental	555,085	-	555,085
Charges for Services	304,188	-	304,188
Fines and Forfeitures	68,013	-	68,013
Unrealized Gain (Loss)	-	-	-
Interest	4,602	3,295	7,897
Donations	-	-	-
Other	146,605	11,979	158,584
Total Revenues	<u>4,173,404</u>	<u>440,062</u>	<u>4,613,466</u>
Expenditures			
General Government	509,300	3,500	512,800
Public Safety:			
Police	2,062,055	116,203	2,178,258
Fire	250,948	-	250,948
Public Works	383,738	17,322	401,060
Sanitation	255,348	-	255,348
Health and Welfare	30,020	-	30,020
Transportation	7,986	-	7,986
Recreation	-	39,656	39,656
Economic Development	-	15,832	15,832
Capital Outlays	141,327	56,442	197,769
Total Expenditures	<u>3,640,722</u>	<u>248,955</u>	<u>3,889,677</u>
Excess of Revenues Over (Under)			
Expenditures	<u>532,682</u>	<u>191,107</u>	<u>723,789</u>

The accompanying notes are an integral part of these financial statements.

(Continued)

Town of Franklinton
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended October 31, 2019

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Bond Principal	-	(215,000)	(215,000)
Bond Interest Expense	-	(16,951)	(16,951)
Operating Transfers In	165,000	232,051	397,051
Operating Transfers (Out)	(232,051)	(90,000)	(322,051)
Transfer to Other Governments	(55,500)	-	(55,500)
Proceeds from Sale of Capital Assets	7,825	-	7,825
Total Other Financing Sources (Uses)	<u>(114,726)</u>	<u>(89,900)</u>	<u>(204,626)</u>
Net Change in Fund Balances	<u>417,956</u>	<u>101,207</u>	<u>519,163</u>
Fund Balances, Beginning	<u>1,065,264</u>	<u>1,716,377</u>	<u>2,781,641</u>
Fund Balances, Ending	<u>\$ 1,483,220</u>	<u>\$ 1,817,584</u>	<u>\$ 3,300,804</u>

The accompanying notes are an integral part of these financial statements.

(Concluded)

Town of Franklinton
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended October 31, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ 519,163

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Expenditures for capital assets		
Capital asset additions	\$ 192,699	
Construction in progress	5,070	
Less:		
Current year depreciation	<u>(555,349)</u>	(357,580)

Governmental funds report sales of assets based on funds received; whereas the statement of activities reports the gain or loss on the sale. Thus, the change in net assets differs by the amounts reported as follows:

Proceeds from sale of assets reported in fund statements-Insurance Proceeds	(7,825)	
Gain on sales reported in statement of net position	<u>7,825</u>	-

Compensated absences payable after one year are not recorded as an expenditure in the governmental funds, but they are recorded as an expenditure in the statement of activities. (This entry records the change in long-term compensated absences)		(23,388)
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Increases in unfunded post-employment benefit obligations for medical insurance expected in future periods are not recorded for governmental funds on the fund basis.		(29,819)
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Non-employer contributions to cost-sharing pension plan		66,278
Pension Expense		(1,428)

Repayment of bond principal and capital lease principal is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position.

Principal payments - long term debt		<u>215,000</u>
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Change in Net Position of Governmental Activities, Statement B \$ 388,226

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Net Position - Proprietary Funds
As of October 31, 2019

Statement G

Assets	<u>Enterprise Fund</u>
Current Assets:	
Cash and Cash Equivalents	\$ 976,789
Investments	2,450,004
Accounts Receivables, Net	384,275
Inventory - Gas and Supplies	128,410
Prepaid Insurance	29,411
Total Current Assets	<u>3,968,889</u>
Restricted Assets:	
Restricted Cash and Cash Equivalents	709,652
Restricted Investments	61,149
Total Restricted Assets	<u>770,801</u>
Capital Assets	
Land	3,300
Capital Assets, Net	7,864,624
Construction in Progress	18,414
Total Capital Assets	<u>7,886,338</u>
Total Assets	<u>12,626,028</u>
Deferred Outflows of Resources	
Pension Related	133,056
Total Deferred Outflows of Resources	<u>133,056</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,759,084</u>
Liabilities	
Current Liabilities (Payable From Current Assets):	
Accounts Payable	\$ 24,706
Compensated Absences Payable	12,365
Other Accrued Payables	13,029
Due To Other Funds	26,004
Total Current Liabilities (Payable From Current Assets)	<u>76,104</u>
Current Liabilities (Payable From Restricted Assets):	
Customer Deposits	139,696
Revenue Bonds Payable	147,378
Total Current Liabilities (Payable From Restricted Assets)	<u>287,074</u>
Long Term Liabilities:	
Bonds Payable	6,167,241
Net Pension Liability	598,407
Other Post Employment Benefits Obligation	263,341
Compensated Absences Payable	65,494
Total Long Term Liabilities	<u>7,094,483</u>
Total Liabilities	<u>7,457,661</u>
Deferred Inflows of Resources	
Pension Related	91,990
Total Deferred Inflows of Resources	<u>91,990</u>
Net Position	
Net Investment in Capital Assets	1,845,943
Restricted for:	
Debt Service	266,889
Unrestricted	3,096,601
Total Net Position	<u>5,209,433</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 12,759,084</u>

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the year ended October 31, 2019

Statement H

	Enterprise Fund
Operating Revenues	
Gas Sales	\$ 853,554
Less Cost of Gas Sold	(348,490)
Gross Profit on Gas Sales	505,064
Water Sales	687,333
Sewer Service Charges	901,656
Penalties	31,028
Intergovernmental	860,672
Other	63,879
Total Operating Revenues	3,049,632
Operating Expenses	
Bad Debts	18,297
Depreciation	383,521
Employee Benefits	205,241
Insurance	97,205
Meter Reading	20,811
Repairs and Maintenance	51,918
Salaries and Wages	431,181
Supplies	80,764
Utilities	149,402
Other	211,246
Total Operating Expenses	1,649,586
Operating Income (Loss)	1,400,046
Nonoperating Revenues (Expenses)	
Unrealized Gain (Loss) on Investments	1,026
Realized Gain (Loss) on Investments	25,048
Interest Income	18,799
Interest Expense	(181,701)
Total Nonoperating Revenues (Expenses)	(136,828)
Income (Loss) Before Contributions and Transfers	1,263,218
Transfers	
Operating Transfers Out	(75,000)
Change in Net Position	1,188,218
Total Net Position, Beginning	4,021,215
Total Net Position, Ending	\$ 5,209,433

The accompanying notes are an integral part of these financial statements.

Statement I

**Town of Franklinton
Statement of Cash Flows -
Proprietary Funds
For the year ended October 31, 2019**

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Received From Customers	\$ 2,406,934
Paid for Meter Deposit Fees	3,987
Other Receipts	1,058,819
Receipt for Interfund Services	(380)
Payments for Operations	(1,017,949)
Payments to Employees	(708,285)
Net Cash Provided (Used) by Operating Activities	<u>1,743,126</u>
 Cash Flows From Noncapital Financing Activities	
Transfers From (To) Other Funds	<u>(75,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(75,000)</u>
 Cash Flows From Capital and Related Financing Activities	
Payments for Capital Acquisitions	(1,017,445)
(Payments for) Bond Issuance Costs	-
Principal Proceeds from (Repayments for) Long Term Debt	(113,408)
Interest Payments for Long Term Debt	(221,891)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,352,744)</u>
 Cash Flows From Investing Activities	
Receipt of Interest	18,799
Proceeds from sale (Payments) for Investments	<u>(17,245)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,554</u>
 Net Increase in Cash and Cash Equivalents	316,936
Cash and Cash Equivalents, Beginning of Year	<u>1,369,505</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 1,686,441</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents, Unrestricted	\$ 976,789
Cash and Cash Equivalents, Restricted	<u>709,652</u>
Total Cash and Cash Equivalents	<u>\$ 1,686,441</u>

(Continued)

Town of Franklinton
Statement of Cash Flows -
Proprietary Funds
For the year ended October 31, 2019

Statement I

	<u>Enterprise Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 1,400,046
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and amortization	383,521
(Increase) Decrease in Accounts Receivable	(66,637)
(Increase) Decrease in Other Receivable	134,268
(Increase) Decrease in Inventory	(30,279)
(Increase) Decrease in Prepaid Insurance	(5,056)
(Increase) Decrease in Deferred Outflows of Resources	44,188
Decrease in Due (to) and from Other Funds	(380)
(Decrease) Increase in Accounts Payable	(16,910)
(Decrease) Increase in Compensated Absences	(51,985)
(Decrease) Increase in Deferred Inflows of Resources	52,369
(Decrease) Increase in Accrued Expenses	(104,006)
(Decrease) Increase in Customer Deposits	<u>3,987</u>
Net Cash Provided by Operating Activities	<u>\$ 1,743,126</u>

The accompanying notes are an integral part of these financial statements.
(Concluded)

Basic Financial Statements

Notes to the Financial Statements

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Introduction

The Town of Franklinton (“the Town”) was incorporated March 7, 1861, under the provisions of a Special Legislative Charter. The Town operates under a Mayor-Board of Aldermen form of government, with the Mayor and each of five aldermen elected at-large for four year terms. Franklinton is located in west central Washington Parish and is the governmental seat of the parish. In 1820, a legislative act created the parish from the northern section of St. Tammany Parish and the next year another act designated the settlement of Franklin as the seat of parish government. In 1826, the name was changed to Franklinton to avoid conflict with another community in St. Mary Parish with the same name. The total population of Franklinton was reported as 3,857 by the U.S. Census Bureau, Census 2010. The Town provides police and fire protection, services to maintain or develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. Utility services are provided for 857 gas customers, 1,483 water customers, and 1,493 sewer customers. The Town paid 61 employees in the last quarter of the fiscal year, including board members.

Governmental Accounting Standards Board (GASB) Statement No. 14, as amended, establishes criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town of Franklinton is considered a primary government, since it is a local special purpose government that has a separately elected governing body. Under provisions of this statement, there are no component units of the Town of Franklinton.

I. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all 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, a primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management’s Discussion and Analysis, for State and Local Governments*, as amended by GASB Statements described in the following paragraphs. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The Town has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* that require capital contributions to the Town to be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of*

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Resources as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position and Fund Equity*. As required by the Governmental Accounting Standards Board (GASB), the Town implemented GASB Statement No. 63 during the year ending October 31, 2012. The Town had deferred outflows and deferred inflows of resources related to pension of \$621,366 and \$502,275, respectively, at October 31, 2019.

The Town has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See *Footnote I – Long-Term Obligations*.

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 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, 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 presented as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are measurable and available. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Substantially all other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

The Town reports the following major proprietary funds:

The *Enterprise Fund* reports activity for which a fee is charged to external users for goods or services. The Enterprise Fund of the Town of Franklinton provides gas, water, and sewer utility services.

Additionally, the government reports the following fund types:

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. For the current fiscal year, this included one major fund and several nonmajor funds.

The *Debt Service Funds* account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the current fiscal year, this included the Streets and Drainage Sinking Debt Service Fund related to the Series 2011 bonds and which is reported as nonmajor.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) program-specific operating grants and contributions; and, 3) program-specific capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service 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 non-operating revenues and expenses.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

When restricted, committed, assigned, or unassigned fund balances are available for use, the Town considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds as needed, unless it has been provided for otherwise in the restriction, commitment, or assignment action.

C. Deposits and Investments

The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments for the Town are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Town’s investment policy.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balances in applicable governmental funds to indicate that they not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>		<u>Levied Millage</u>		<u>Collected Millage</u>
General Corporate Purposes	7.24 mills	\$	173,466	\$	178,608
Police ad valorem	5.18 mills		124,111		125,716
Street and drainage ad valorem	7.24 mills		173,466		175,591

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Sales and use taxes are levied at two percent. The proceeds of these sales and use taxes are dedicated as follows:

The proceeds of the original one percent sales and use tax, the Town of Franklinton Sales and Use Tax of 1960, are dedicated and used for the purpose of constructing, improving, extending, and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal and water works, and other works of permanent public improvements in the municipality.

The subsequent one percent sales and use tax was originally approved on July 21, 2001. On October 2, 2010, the voters of the Town of Franklinton approved continuation and rededication of this one percent sales tax for a second ten-year period. The rededication began in October 2011 and will expire September 30, 2021. This one percent sales tax is dedicated as follows:

- 1) 40 percent for constructing, improving and maintaining streets and drainage facilities and improvements in the Town.
- 2) 30 percent for supporting the police department of the Town and providing public safety.
- 3) 20 percent for supporting the fire department of the Town.
- 4) 10 percent for promoting and encouraging the location and development of commerce and industry and supporting recreation in the Town, with the proceeds of the tax to be subject to being funded into bonds.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, funds held for customer's meter deposits are also classified as restricted assets.

Certain amounts shown as governmental restricted assets are to be used for specified purposes, such as servicing general obligation bond debt, construction of capital assets, and police seized assets. Such assets have been restricted by bond indenture, law, or contractual obligations.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as in the proprietary fund financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 40 Years
Machinery and Equipment	5 - 15 Years
Office Furniture and Equipment	5 - 10 Years
Vehicles	5 - 10 Years
Infrastructure	20 - 40 Years
Gas System	20 - 40 Years
Water System	20 - 40 Years
Sewer System	20 - 40 Years

H. Compensated Absences

Prior to the fiscal year ending October 31, 2003, employees of the municipality earned annual leave at varying rates according to years of service. Accrued unused annual leave earned by an employee was carried forward to the succeeding calendar year until a maximum of twenty days accumulation. On March 9, 2004, the Board of Aldermen passed a Resolution authorizing the conversion of unused annual leave (above the maximum allowable accumulation) and unused sick leave to retirement credit. The Resolution dated March 9, 2004, was issued pursuant to Act 999 of the 2001 Regular Session of the Louisiana Legislative and in accordance with a Memorandum dated January 13, 2002, entitled Conversion of Unused Annual and Sick Leave to Retirement Credit, as issued by the Municipal Employee's Retirement System of Louisiana. A long-term payable for sick leave convertible to retirement is accrued on the government-wide level.

I. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65.

The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to complement GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

received, are now expended in the period incurred under GASB 65. The Town had no bond related costs for the year ending October 31, 2019.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Net Position and Fund Equity

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

In the fund statements, governmental fund equity is classified as fund balance. The Town adopted GASB 54 for the year ended October 31, 2011. As such, fund balances of governmental funds are classified as follows:

- **Nonspendable.** These are amounts that cannot be spent either, because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

- **Restricted.** These are amounts that can be spent only for specific purposes, because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed.** These are amounts that can be used only for specific purposes determined by a formal vote of the Board, which is the highest level of decision-making authority for the Town.
- **Assigned.** These are amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes based on the discretion of the Board.
- **Unassigned.** These are amounts that have not been assigned to other funds and amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. Also, within other governmental funds, these include expenditure amounts incurred for specific purposes which exceed the amounts restricted, committed or assigned for those purposes.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Town's financial statements for the year ended October 31, 2018, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

N. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the general and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for enterprise funds are presented on the accrual basis of accounting. Other governmental funds are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

The proposed budget for October 31, 2019 was made available for public inspection on October 17, 2018. The proposed budget, prepared on the modified accrual basis of accounting, was published on October 17, prior to the public hearing which was held at the Town of Franklinton's City Hall on October 23, 2018, for comments by taxpayers. The budget was legally adopted by the board of aldermen on October 23, 2018.

There were no funds, other than noted below, that had actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other uses over budgeted amounts resulting in unfavorable variances greater than five percent in accordance with the Local Government Budget Act for the fiscal year ended October 31, 2019. The Economic Development and Recreation Sales Tax Fund had actual expenditures greater than five percent of the budgeted amounts. This was due to a variance of only \$3,738 between actual and budgeted expenditures.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

3. Cash and Cash Equivalents

At October 31, 2019, the Town has cash and cash equivalents (book balances), as follows:

Demand Deposits	\$ <u>4,392,754</u>
	\$ <u>4,392,754</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. At October 31, 2019, the Town has \$4,439,365 in deposits (collected bank balances), within one bank, consisting of \$4,439,365 in demand deposits. The demand deposits are secured from risk by \$250,000 of federal deposit insurance and \$4,189,365 of pledged securities. The \$4,189,365 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a formal policy for custodial risk. However, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

4. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

All investments held by the Town fall into category 1 credit risk, defined as "insured or registered, or securities held by the Town or its agent in the Town's name." All investments are stated on the balance sheet (carrying value) at market value. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At October 31, 2019, the Town's investment balances were as follows:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Government and Agency Bonds			
Government National Mortgage Association (GNMA) Rating - Aaa\AAA.	March 20, 2028	\$ 176	\$ 176
LPL Financial #2 - US Treasury Security Moody's Rating: AAA. S&P Rating: Not Rated.	February 15, 2020	907,938	907,938
LPL Financial #1 - US Treasury Security Moody's Rating: AAA. S&P Rating: Not Rated.	February 15, 2020	910,925	910,925
		<u>1,819,039</u>	<u>1,819,039</u>
Money Market - Rating Unavailable			
LPL Financial #1		865	865
LPL Financial #2		655	655
Stifel		<u>27,547</u>	<u>27,547</u>
		<u>29,067</u>	<u>29,067</u>
Louisiana Asset Management Pool (L.A.M.P.) - Rating AAAM.		<u>915,329</u>	<u>915,329</u>
		<u>915,329</u>	<u>915,329</u>
	Total	\$ <u>2,763,435</u>	\$ <u>2,763,435</u>

Interest Rate Risk: The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value arising from increasing interest rates.

The government and agency bonds are the only recurring fair value measurements as of October 31, 2019. These were valued using quoted market prices (Level 1 inputs).

All money market investments have a maturity of less than one year. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments are generally carried at amortized cost which approximates fair value. There are no participant's withdrawal limitations.

In accordance with GASB 72, the investment in the Louisiana Asset Management Pool (LAMP) at October 31, 2019, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

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

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistence with GASB 79. The following facts are relevant for investment pools:

1. Credit risk: LAMP is rated AAAM by Standards and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 45 days as of October 31, 2019.
5. Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by calling (800) 249-5267.

5. Receivables

Major receivables balances for the governmental activities include sales taxes, franchise taxes, occupational licenses, and fines. Business-type activities report utilities earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise taxes, occupational licenses, fines, and other similar intergovernmental revenues since they are usually both measurable and available. Utility accounts receivable comprise the majority of proprietary fund receivables.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The Governmental Fund receivables at October 31, 2019 consist of the following:

Government Receivables	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Accounts	\$ -	\$ 32	\$ 32
Taxes:			
Sales Tax Receivable	219,184	11,536	230,720
Franchise Tax	59,632	-	59,632
Due from Others	357	-	357
Intergovernmental:			
State of Louisiana	31,304	511	31,815
USDA Grant	74,942	-	74,942
Total Government Receivables	<u>\$ 385,419</u>	<u>\$ 12,079</u>	<u>\$ 397,498</u>

For financial statement presentation, sales tax receivable amounts are included within the category of intergovernmental revenues.

The Enterprise Fund accounts receivable at October 31, 2019 consist of the following:

	Enterprise Fund
Accounts Receivable	
Current	\$ 224,995
31 - 60 Days	9,491
61 - 90 Days	5,806
Over 90 Days	53,962
Subtotal	294,254
Less Allowance for Bad Debt	(50,794)
Accounts Receivables, Net	243,460
Other Receivables	(8,569)
Unbilled Receivables	149,384
Total Accounts Receivable	<u>\$ 384,275</u>

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

6. Restricted Assets

The following is a listing of the restricted assets for the fund financial statements on October 31, 2019:

The Restricted Assets for all funds at October 31, 2019 consist of the following:

Restricted Assets	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Fund	Total
Cash and Cash Equivalents					
Customer Deposits	\$ -	\$ -	\$ -	\$ 81,598	\$ 81,598
Bond Reserve Account	-			169,339	169,339
Bond Contingency Account	-	-	-	76,580	76,580
Bond Sinking Account	-	-	62	17,919	17,981
Bond Short-Lived Assets Account	-	-	-	89,992	89,992
Construction Account	-	-	-	274,224	274,224
Ad Valorem Account	-	639,155	-	-	639,155
Sales Tax Account	-	1,047,871	-	-	1,047,871
Rural Development Grant	-	35,472	-	-	35,472
Investments - Customer Deposits	-	-	-	61,149	61,149
Investments - Ad Valorem	-	93,050	-	-	93,050
Total Restricted Assets	\$ -	\$ 1,815,548	\$ 62	\$ 770,801	\$ 2,586,411

7. Interfund Receivables/Payables

The following is a detailed list of interfund balances for fund financial statements on October 31, 2019:

Interfund Balances	Due From Other Funds	Due To Other Funds
General Fund		
Ad Valorem Police	\$ 202	\$ -
Ad Valorem Streets and Drainage	-	20
Enterprise Fund	26,004	-
Special Revenue Funds		
Ad Valorem Police		
General Fund	-	202
Ad Valorem Streets and Drainage		
General Fund	20	-
Enterprise Fund		
General Fund	-	26,004
Total Interfund Balances	\$ 26,226	\$ 26,226

The reason for the interfund receivables/payables balances is the General Fund pays expenses of other funds and is reimbursed as funds are available.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

8. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended October 31, 2019:

Governmental Activities Capital Assets:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:					
Land	\$ 481,801	\$ -	\$ -	\$ -	\$ 481,801
Construction in Progress	20,088	5,070	-	-	25,158
Total Capital Assets Not Being Depreciated	<u>501,889</u>	<u>5,070</u>	<u>-</u>	<u>-</u>	<u>506,959</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	5,003,023	-	-	-	5,003,023
Machinery and Equipment	2,131,101	26,642	-	-	2,157,743
Office Furniture and Equipment	278,194	3,699	-	-	281,893
Vehicles	1,790,451	162,358	(18,351)	-	1,934,458
Infrastructure	4,332,466	-	-	-	4,332,466
Total Capital Assets Being Depreciated	<u>13,535,235</u>	<u>192,699</u>	<u>(18,351)</u>	<u>-</u>	<u>13,709,583</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(3,021,847)	(174,334)	-	-	(3,196,181)
Machinery and Equipment	(1,876,513)	(70,645)	-	-	(1,947,158)
Office Furniture and Equipment	(246,588)	(11,092)	-	-	(257,680)
Vehicles	(1,582,619)	(90,757)	18,351	-	(1,655,025)
Infrastructure	(1,500,609)	(208,521)	-	-	(1,709,130)
Total Accumulated Depreciation	<u>(8,228,176)</u>	<u>(555,349)</u>	<u>18,351</u>	<u>-</u>	<u>(8,765,174)</u>
Total Capital Assets Being Depreciated, Net	<u>5,307,059</u>	<u>(362,650)</u>	<u>-</u>	<u>-</u>	<u>4,944,409</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 5,808,948</u>	<u>\$ (357,580)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,451,368</u>
Depreciation was charged to governmental functions as follows:					
General Government				\$ 72,517	
Public Safety - Police				101,465	
Public Safety - Fire				65,120	
Public Works				291,821	
Recreation				3,958	
Economic Development				20,468	
				<u>\$ 555,349</u>	

Construction in progress at fiscal year-end of \$25,158 consists of 15,788 for the Safe Routes to School sidewalk project and \$9,370 for the Airport Maintenance Project. The most significant expenditures were \$113,164 for three new vehicles and related equipment for the police department, \$27,194 for a new vehicle for the administrative department, \$22,000 for two new vehicles for the street department, \$2,410 for fire equipment, \$999 for police computer, \$2,700 for a copier for the police department, \$11,562 for police equipment, and \$12,670 for street equipment. The Town also sold a police vehicle with an original cost of \$18,351 that was fully depreciated for \$7,825.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Capital assets and depreciation activity as of and for the year ended October 31, 2019 for business-type activities is as follows:

Business - Type Activities Capital Assets:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 3,300	\$ -	\$ -	\$ 3,300
Construction in Progress - Sewer System	<u>5,026,040</u>	<u>688,384</u>	<u>(5,696,010)</u>	<u>18,414</u>
Total Capital Assets Not Being Depreciated	<u>5,029,340</u>	<u>688,384</u>	<u>(5,696,010)</u>	<u>21,714</u>
Capital Assets Being Depreciated:				
Gas Utility System	1,208,137	-	-	1,208,137
Water Utility System	2,908,028	25,660	-	2,933,688
Sewer Utility System	<u>8,894,120</u>	<u>5,720,796</u>	<u>-</u>	<u>14,614,916</u>
Total Capital Assets Being Depreciated	<u>13,010,285</u>	<u>5,746,456</u>	<u>-</u>	<u>18,756,741</u>
Less Accumulated Depreciation for:				
Gas Utility System	(1,151,727)	(18,368)	-	(1,170,095)
Water Utility System	(2,734,639)	(39,746)	-	(2,774,385)
Sewer Utility System	<u>(6,622,230)</u>	<u>(325,407)</u>	<u>-</u>	<u>(6,947,637)</u>
Total Accumulated Depreciation	<u>(10,508,596)</u>	<u>(383,521)</u>	<u>-</u>	<u>(10,892,117)</u>
Total Capital Assets Being Depreciated, Net	<u>2,501,689</u>	<u>5,362,935</u>	<u>-</u>	<u>7,864,624</u>
Total Business - Type Activities Capital Assets, Net	<u>\$ 7,531,029</u>	<u>\$ 6,051,319</u>	<u>\$ (5,696,010)</u>	<u>\$ 7,886,338</u>

Construction in progress at fiscal year-end consists of \$18,414 representing expenses for Contract E for sewer system improvements. The most significant expenditures were for completion of Contracts A-D of sewer improvements of \$5,696,010, a sewer pump in the amount of \$24,786, water meter changeouts for \$25,012, and a laptop for \$648. There was no interest expense capitalized during the fiscal year.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

9. Leases

On December 23, 2013, the Town of Franklinton entered into a lease agreement with the State of Louisiana through the Military Department, State of Louisiana. The Military Department agreed to lease Lot 3 and a portion of Lot 4, consisting of a total of 12.392 acres, of the Town's Industrial Park #2. The term of the agreement is for a period of ninety-nine years commencing on December 24, 2013 and ending on September 30, 2112 with the consideration being one dollar per year. Should the property cease to be used for military purposes for a period of five consecutive years, except in wartime, or should the buildings constructed on the property be removed, this lease should be null and void and the property shall revert to the Town. Title to all structures erected upon the property shall remain with the lessee. Upon termination or expiration of the lease, the lessee reserves the right to remove all structures from the premises and restore the property to its original condition as of the commencement of this lease. The lessee further reserves the right to transfer the installations and structures on the property to the Town in "as is" condition with the approval of the National Guard Bureau and the State of Louisiana.

10. Interfund Transfers

The following is a detailed list of interfund transfers reported in the fund financial statements on October 31, 2019:

Interfund Transfers	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Ad Valorem Streets and Drainage	\$ 90,000	\$ -
Streets and Drainage Sinking Debt Service Fund	-	232,051
Enterprise Fund	75,000	-
Special Revenue Funds		
Ad Valorem Streets and Drainage		
General Fund	-	90,000
Streets and Drainage Sinking Debt Service Fund		
General Fund	232,051	-
Enterprise Fund		
General Fund	-	75,000
Total Interfund Transfers	<u>\$ 397,051</u>	<u>\$ 397,051</u>

The primary reason for the transfers between the General Fund and the Ad Valorem Streets and Drainage Fund was to transfer funds to cover the expenditures relating to improving and maintaining streets and drainage facilities and improvements paid by the General Fund. Funds were also transferred between the General Fund and Sinking Fund to comply with the bond requirements. Funds were transferred between the General Fund and Enterprise Fund to fund operating requirements per budget approvals.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

11. Accounts, Salaries, and Other Payables

The Governmental Fund payables at October 31, 2019 are as follows:

Governmental Funds Payable	General Fund	Special Revenue Funds	Total
Accounts	\$ -	\$ 18,165	\$ 18,165
Accrued Salaries	34,904	-	34,904
Insurance	28,856	-	28,856
Retirement Payable	28,695	-	28,695
Compensated Absences	37,139	-	37,139
Other	23,971	-	23,971
Total Government Funds Payable	\$ 153,565	\$ 18,165	\$ 171,730

The Enterprise Fund payables at October 31, 2019 are as follows:

Enterprise Funds Payable	Gas Utility	Water Utility	Sewer Utility	Total Enterprise Fund
Accounts	\$ 19,573	\$ 3,807	\$ 1,326	\$ 24,706
Accrued Salaries	4,531	3,121	2,811	10,463
Compensated Absences Payable	5,042	4,453	2,870	12,365
Department of Health and Hospitals Fees	-	1,536	-	1,536
Other	621	409	-	1,030
Total Enterprise Funds Payable	\$ 29,767	\$ 13,326	\$ 7,007	\$ 50,100

12. Short-Term Debt

The Town had no short-term debt outstanding at October 31, 2019, other than the current portions of revenue bonds payables described in Note 13 *Long-Term Obligations*.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

13. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended October 31, 2019:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Long-Term Obligations</u>
	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	
Beginning Balance	\$ -	\$ 670,000	\$ -	\$ 6,428,027	\$ 7,098,027
Additions	-	-	-	-	-
Deletions	-	(215,000)	-	(113,408)	(328,408)
Ending Balance	\$ -	\$ 455,000	\$ -	\$ 6,314,619	\$ 6,769,619

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of the long-term obligations:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Long-Term Obligations</u>
	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Total</u>	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Total</u>	
Governmental Activities							
Revenue Bonds	\$ 225,000	\$ 230,000	\$ 455,000	\$ 147,378	\$ 6,167,241	\$ 6,314,619	\$ 6,769,619
Compensated Absences Payable	37,139	238,372	275,511	12,365	65,494	77,859	353,370
Net Pension Liability	-	2,725,454	2,725,454	-	598,407	598,407	3,323,861
Other Post Employment Benefit Obligation	-	416,261	416,261	-	263,341	263,341	679,602
	\$ 262,139	\$ 3,610,087	\$ 3,872,226	\$ 159,743	\$ 7,094,483	\$ 7,254,226	\$ 11,126,452

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Bonds Payable as of October 31, 2019 is as follows:

	Bonds Payable	Due Within One
	End of Year	Year
Business Type: \$ 560,000 of Sewer Revenue Bonds, Series 2002 Dated 06/03/02, due in monthly installments of principal and interest of \$2,923, through 06/03/2032, interest at 4.75%.	\$ 332,336	\$ 19,728
Business Type: \$ 1,250,000 of Water Revenue Bonds Dated 12/31/06, due in monthly installments of principal and interest of \$6,102, from 01/26/1997 to 12/26/2036, interest at 5.125%.	802,946	33,205
Business Type: \$ 1,461,000 of Sewer Revenue Bonds, Series 2008 Dated 01/23/09, due in annual installments of principal and interest ranging up to \$76,790, from 01/03/2010 to 01/03/2049, interest at 4.25%.	1,283,632	22,666
Business Type: \$ 3,937,000 of Sewer Revenue Bonds, Series 2018 Dated 03/22/18, due in monthly installments of principal and interest of \$11,615, from 03/22/19 to 03/22/58, interest at 1.75%.	3,895,705	71,779
Governmental: \$ 2,000,000 Sales Tax Bonds, Series 2011 Dated 11/01/11, due in annual installments of principal and interest ranging up to \$236,512, from 05/01/2012, interest at 2.53%.	455,000	225,000
	\$ 6,769,619	\$ 372,378

The annual requirements to amortize all debt outstanding at October 31, 2019, including interest payments of \$2,918,915 are as follows:

Year Ending	Sewer Revenue Bonds			Water Revenue Bonds			Gov't Sales Tax Bonds Series 2011			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 114,181	\$ 137,077	\$ 251,258	\$ 33,205	\$ 40,013	\$ 73,218	\$ -	\$ 5,756	\$ 5,756	\$ 147,386	\$ 182,846	\$ 330,232
2021	117,388	133,870	251,258	34,933	38,285	73,218	225,000	8,665	233,665	377,321	180,820	558,141
2022	120,706	130,552	251,258	36,750	36,468	73,218	230,000	2,910	232,910	387,456	169,930	557,386
2023	124,140	127,118	251,258	38,662	34,556	73,218	-	-	-	162,802	161,674	324,476
2024	127,695	123,564	251,259	40,673	32,545	73,218	-	-	-	168,368	156,109	324,477
2025 to 2029	696,369	559,921	1,256,290	237,394	128,695	366,089	-	-	-	933,763	688,616	1,622,379
2030 to 2034	717,671	447,058	1,164,729	305,911	60,179	366,090	-	-	-	1,023,582	507,237	1,530,819
2035 to 2039	716,909	371,537	1,088,446	75,418	2,979	78,397	-	-	-	792,327	374,516	1,166,843
2040 to 2044	815,971	264,578	1,080,549	-	-	-	-	-	-	815,971	264,578	1,080,549
2045 to 2049	871,396	150,022	1,021,418	-	-	-	-	-	-	871,396	150,022	1,021,418
2050 to 2054	628,243	68,657	696,900	-	-	-	-	-	-	628,243	68,657	696,900
2055 to 2059	460,705	14,209	474,914	-	-	-	-	-	-	460,705	14,209	474,914
	\$ 5,511,374	\$ 2,528,163	\$ 8,039,537	\$ 802,946	\$ 373,720	\$ 1,176,666	\$ 455,000	\$ 17,331	\$ 472,331	\$ 6,769,320	\$ 2,919,214	\$ 9,688,534

Total interest expense for the year ending October 31, 2019 totaled \$198,652.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

14. Flow of Funds, Restrictions on Use – Enterprise Fund and Governmental Fund Bonds

Sewer Revenue Bonds - Series 2002

The Sewer Revenue Bonds, Series 2002, issued by the United States Department of Agriculture, Rural Utilities Service, require that all income and revenues earned or derived from the operation of the system be deposited in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after reasonable and necessary expenses of operating the system have been paid, moneys are to be transferred to the Sinking Fund, the Reserve Fund and/or the Contingency Fund as provided in the Resolution.

Principal payments of \$18,815 and interest payments of \$16,273 were made and incurred as interest expense on the sewer bonds. The gross sewer utility revenue recognized during the current period was \$1,775,852.

The issuance of Series 2018 sewer bonds established combined bond requirements for the Sewer Sinking Fund, the Sewer Reserve Fund, and the Sewer Contingency Fund as shown later in this footnote.

Water Revenue Bonds

The Water Revenue Bonds, Series 1996, issued by the United States Department of Agriculture, Rural Utilities Service, require that all income and revenues earned or derived from the operation of the system be deposited in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after reasonable and necessary expenses of operating the system have been paid, moneys are to be transferred to the Sinking Fund, the Reserve Fund and/or the Contingency Fund as provided in the Resolution.

Principal payments of \$31,566 and interest payments of \$41,654 were made and incurred as interest expense on the water bonds. The gross water utility revenue recognized during the current period was \$758,814.

The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the bonds with each bond year. For purposes of this certificate, "Bond Year" shall mean one-year period ending on each principal payment date of the bonds, which is December 26. The municipality is required by the Resolution to make monthly deposits into the Sinking Fund no later than the twentieth day of each month, a sum of \$6,101. Amounts deposited in the Sinking Fund will be applied to the payment of principal and interest on the bonds in the bond year of their receipts. The Town has elected to make these payments monthly to RUS. The amount transferred to the Water Bond Sinking Fund during the fiscal year 2019 was \$73,218.

The Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. The Reserve Fund is established by depositing \$306 monthly into the Reserve Fund commencing with the month following the completion of the project. This fund is fully funded as of October 31, 2019, with a balance maintained of \$92,375. The total amount transferred to the Water Reserve Fund during the fiscal year 2019 was \$3,672.

The Contingency Fund is established to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund on or before the twentieth day of each month of each year a sum of \$321, provided such sum is available as provided in the Resolution. In addition to caring for depreciation, extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

in the Contingency Fund may also be used to pay the principal of and the interest on the bonds including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Funds. This Fund is fully funded at October 31, 2019, with a balance maintained of \$40,410. The total amount transferred to the Water Contingency Fund during the fiscal year 2019 was \$3,852.

Series 2008 – Sewer Bonds

On January 23, 2009, the Town of Franklinton issued \$1,461,000 of Series 2008 revenue bonds, for the purpose of financing sewer improvements. The previous Series 2006 Bonds were retired with \$900,000 of these funds. The Town also was awarded a \$949,000 Rural Development Grant to assist in financing the sewer improvement project, along with \$100,000 funds supplied by the Town for an estimated project cost of \$2,510,000. The Series 2008 Sewer Revenue Bonds, issued by the United States Department of Agriculture, Rural Utilities Service, require that all income and revenues earned or derived from the operation of the system be deposited into the Revenue Fund. The issuance of Series 2018 sewer bonds established combined bond requirements for the Sewer Sinking Fund, the Sewer Reserve Fund, and the Sewer Contingency Fund as shown later in this footnote.

Principal payments of \$21,732 and interest payments of \$55,058 were made and incurred as interest expense on the sewer bonds. The gross sewer utility revenue recognized during the current period was \$1,775,852.

Series 2011 - Sales Tax Bonds

On November 1, 2011, the Town of Franklinton issued \$2,000,000 of Certificates of Indebtedness, Series 2011, for the purpose of constructing, improving and maintaining streets and drainage facilities in the Town.

On October 2, 2010, the voters of the Town of Franklinton renewed the one percent sales tax for a period of ten years. This 2010 one percent sales tax was dedicated as follows:

- 1) Forty percent for constructing, improving and maintaining streets and drainage facilities and improvements. Collections for 2019, including State P&M sales tax collections, were \$493,918.
- 2) Thirty percent for supporting the police department of the Town and providing public safety. Collections for 2019, including State P&M sales tax collections, were \$370,438.
- 3) Twenty percent for supporting the fire department of the Town. Collections for 2019, including State P&M sales tax collections, were \$246,960.
- 4) Ten Percent for promoting and encouraging the location and development of commerce and industry, and supporting recreation in the Town. Collections for 2019, including State P&M sales tax collections, were \$123,481.

The Series 2011 bonds are payable from and secured by the forty percent of the sales and use tax dedicated for constructing, improving and maintaining streets and drainage facilities and improvements.

Principal payments of \$215,000 and interest payments of \$16,951 were made and incurred as interest expense on the sales tax bonds.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

The town is required to deposit, a sum equal to the pro rata amount of interest and principal falling due on the next interest and principal payment date for the period, together with such additional proportionate sum as may be required to pay said principal and interest as the same fall due. The Town made these payments through the end of the year.

Series 2018 – Sewer Bonds

On December 7, 2016, the USDA also approved a request for obligation of funds of \$5,904,664 for the sewer improvements project. Funding for this project is initially provided through interim financing, with permanent funding to be provided by USDA upon substantial completion of construction. In March 2018, the Town issued \$3,937,000 in sewer revenue bonds, Series 2018. Proceeds from the bonds were used to pay for the cost of constructing and acquiring improvements and renovations of the sewerage system of the Town, including appurtenant equipment and accessories, a work of public improvement to the Town, discharging the Town’s bond anticipation notes dated December 7, 2017, and paying the cost of issuance of the bonds. The notes were issued to provide interim financing for the project costs. None of the proceeds of the notes were used to refund any prior indebtedness of the Town or any other entity. All of the proceeds of the notes advanced to the Town have been expended on project costs. The bonds bear interest rates of 1.750% per annum and will mature on March 22, 2058. Contracts A-D of the sewer improvement project were completed in July 2019 at a cost of \$5,696,010 and construction in progress expenditures for Contract E of the sewer improvement project totaled \$18,414 at October 31, 2019.

The Series 2018 Sewer Revenue Bonds, issued by the United States Department of Agriculture, Rural Utilities Service, require that all income and revenues earned or derived from the operation of the system be deposited into the Revenue Fund. The issuance of Series 2018 sewer bonds established combined bond requirements for the Sewer Sinking Fund, the Sewer Reserve Fund, and the Sewer Contingency Fund as shown in the following schedule.

<u>Time Period</u>	<u>Monthly Deposits</u>		
	<u>Sinking Fund Contribution</u>	<u>Reserve Fund Contribution</u>	<u>Contingency Fund Contribution</u>
4/20/2018 to 3/20/2019	\$ 15,072.84	\$753.64 until project funded is completed, then sum increases to \$1,048	\$753.64 until project funded is completed, then sum increases to \$1,048
4/20/2019 to 5/20/2032	\$ 20,947.00	\$1,048 monthly until \$251,356.56 is in Reserve Fund.	\$1,048 monthly until \$251,356.56 is in Reserve Fund, then monthly payments increase to \$1,802
6/20/2032 to 12/20/2049	\$ 18,015.00	In June 2032 reserve fund deposit to be reduced to \$216,170.16	In June 2032 the monthly payments decrease to \$1,802
1/20/2050 to 3/20/2058	\$ 11,615.00	In June 2049 reserve fund deposit to be reduced to \$139,380	In November 2042 the monthly payments decrease to \$1,162

The Series 2018 Sewer Revenue Bonds also require the creation of a Short-Lived Asset Reserve Fund. Based on preliminary engineering report, must deposit at least \$51,009 into the short-lived asset reserve fund annually for the life of the loan to pay for repairs and/or replacement of major system assets. It is

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

responsibility of the Town to assess their needs on a regular basis and adjust the amount deposited to meet those needs.

Principal payments of \$41,295 and interest payments of \$68,717 were made and incurred as interest expense on the sewer bonds. The gross sewer utility revenue recognized during the current period was \$1,775,852. The Town made the payments for the Sewer Sinking Fund, Sewer Reserve Fund, Sewer Contingency Fund, and Sewer Short-Lived Assets Fund as required during the fiscal year 2019.

15. Retirement Systems

Substantially all employees of the Town of Franklinton are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana. These systems are a cost-sharing, multiple-employer public employee retirement system (PERS), controlled and administered by a separate board of trustees.

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68 on *Accounting and Financial Reporting for Pensions* and Statement 71 on *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB 68. These standards require the Town to record its proportional share of each of the pension plans' net pension liability and report the following disclosures:

A. Municipal Employee Retirement System of Louisiana (System)

Plan Description. The System was established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the system.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

Retirement Benefits:

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following brief description is of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Age 67 with seven (7) years of creditable service.
2. Age 62 with ten (10) years of creditable service.
3. Age 55 with thirty (30) years of creditable service.
4. Any age with twenty-five (25) years of service credit, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty-percent benefit payable when the surviving spouse attains the age of sixty years.

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of (1) an amount equal to two percent of his final compensation multiplied by his years of creditable service, but no less than thirty percent of his final compensation, or (2) an amount equal to what the member's normal retirement benefit would be based on the member's current final compensation, but assuming the member remained in continuous service until his earliest normal retirement age and using those retirement benefit computation factors which would be applicable to the member's normal retirement..

Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits:

Both plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement; benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

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

Funding Policy. Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Franklinton is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The Town of Franklinton's management has decided to pay two percent of the employee's part, thus increasing the Town of Franklinton's pension percentage to 16 percent. Contributions to the System also include one-fourth of one percent (except Orleans) of the taxes shown to be collectible by the tax rolls of each parish. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employees' Retirement System and the Employees' Retirement System of the City of Baton Rouge. The System also receives revenue sharing

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2019. During the year ending October 31, 2019, the Town recognized revenue as a result of support received from non-employer contributing entities of \$28,154 for its participation in MERS-Plan B.

The Town of Franklinton contributions to the System under Plan B for the years ending October 31, 2019 and 2018 were \$107,647, and \$132,828, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At October 31, 2019, the Town reported a liability of \$934,155 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2019, the Town's proportion was 1.067834%, which was a decrease of 0.228809% from its proportion measured as of June 30, 2018.

For the year ended October 31, 2019, the Town recognized pension expense for the MERS System of \$151,047 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At October 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the MERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (41,434)
Changes of Assumptions	56,947	-
Net difference between projected and actual earnings on pension plan investments	98,390	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	12,673	(114,732)
Employer contributions subsequent to the measurement date	38,035	-
Total	\$ 206,045	\$ (156,166)

The Town reported a total of \$38,035 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 which will be recognized as a reduction in net pension liability in the year ended October 31, 2020.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2020	\$ 9,737
2021	(19,544)
2022	13,101
2023	8,547
	<u>\$ 11,841</u>

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 is as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions:

Expected Remaining Service Lives	3 years (Plan B)
Investment Rate of Return	7.0%, net of investment expense
Inflation Rate	2.5%
Projected Salary Increases:	
1 to 4 years of service	7.4%
More than 4 years of service	4.9%
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP 2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public Equity	50%	2.15%
Public Fixed Income	35%	1.51%
Alternatives	15%	0.64%
Totals	100%	4.30%
Inflation		2.70%
Expected Arithmetic Nominal Rate		7.00%

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earning on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2019:

	1% Decrease	Current Discount Rate	1% Increase
Rates	6.00%	7.00%	8.00%
Town of Franklinton Share of NPL	\$ 1,244,989	\$ 934,155	\$ 671,274

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

Plan Description. The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 189 of 1973 to provide retirement, disability, and survivor benefits to municipal police officers in Louisiana.

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

Retirement Benefits:

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments:

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan:

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Initial Benefit Option Plan:

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411 or at www.lampers.org.

Funding Policy. According to state statute, the Town of Franklinton is required to contribute at an actuarially determined rate but cannot be less than 9% of the employee's earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2019, total contributions due for employers and employees were 42.25%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 32.25% and 8%, respectively. The employer and employee contribution rates for members whose earnable compensation is less than or equal to poverty guidelines issued by the U.S. Department of Health and Human Services were 34.75% and 7.5%, respectively.

The System also receives insurance premium tax monies as additional employer contributions and considered support from a non-contributing entity. This tax is appropriated by the legislature each year based on an actuarial study. This additional source of income is used as additional employer contributions and considered support from non-employer contributing entities, but is not considered a special funding situation. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2019. During the year ending October 31, 2019, the Town recognized revenue as a result of support received from non-employer contributing entities of \$54,172 for its participation in MPERS.

The Town of Franklinton contributions to the System for the years ending October 31, 2019 and 2018 were \$243,478 and \$260,601 respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At October 31, 2019, the Town reported a liability of \$2,389,706 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2019, the Town's proportion was 0.263135%, which was a decrease of 0.009251% from its proportion measured as of June 30, 2018.

For the year ended October 31, 2019, the Town recognized pension expense for the MPERS System of \$277,257 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

At October 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the MPERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,014	\$ (73,521)
Changes of Assumptions	133,915	-
Net difference between projected and actual earnings on pension plan investments	155,255	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	14,035	(186,600)
Employer contributions subsequent to the measurement date	89,667	-
Total	\$ 397,886	\$ (260,121)

The Town reported a total of \$89,667 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 which will be recognized as a reduction in net pension liability in the year ended October 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2020	\$ 25,792
2021	(58,605)
2022	42,152
2023	38,759
	\$ 48,098

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 is as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions:

Investment Rate of Return	7.125%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.50%

Salary increases, including inflation & merit	Years of Service	Salary Growth Rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%

Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by
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Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.

RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.

RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.

Cost of Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	48.50%	3.28%
Fixed Income	33.50%	0.80%
Alternatives	18.00%	1.06%
Other	0.00%	0.00%
Totals	<u>100.00%</u>	<u>5.14%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Rate		<u>7.89%</u>

The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.125%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2019:

	1% Decrease	Current Discount Rate	1% Increase
Rates	6.125%	7.125%	8.125%
Town of Franklinton Share of NPL	\$ 3,329,648	\$ 2,389,706	\$ 1,601,189

C. Firefighters Retirement System of Louisiana (System)

Plan Description. The Firefighters' Retirement System (System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 434 of 1979 to provide retirement, disability, and survivor benefits to firefighters in Louisiana. Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters who earn at least \$375 per month and are employed by a municipality, parish, or fire protection district of the State in addition to employees of the Firefighters' Retirement System.

Retirement Benefits:

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3 1/3% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement. See R.S. 11:2256(A) for additional details on retirement benefits.

Disability Benefits:

A member who acquires a disability, and who files for disability benefits while in service, and who upon medical examination and certification as provided for in Title 11, is found to have a total disability solely as the result of injuries sustained in the performance of his official duties, or for any cause, provided the member has at least five years of creditable service and provided that the disability was incurred while the member was an active contributing member in active service, shall be entitled to disability benefits under the provisions of R.S. 11:2258(B).

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Death Benefits:

Benefits shall be payable to the surviving eligible spouse or designated beneficiary of a deceased member as specified in R.S. 11:2256(B) & (C).

Deferred Retirement Option Plan:

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to ERS cease. The monthly retirement benefit that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No withdrawals may be made from the DROP account until the participant retires.

Initial Benefit Option:

Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

Cost of Living Adjustments (COLAs):

Under the provisions of R.S. 11:246 and 11:2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a 2% increase in their original benefit. In order for the board to grant either of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings (R.S. 11:243). In lieu of these COLAs, pursuant to R.S. 11:241, the board may also grant an increase in the form of "X * (A+B)," where "X" is any amount up to \$1 per month, and "A" is equal to the number of years of credited service accrued at retirement or at death of the member or retiree, and "B" is equal to the number of years since retirement or since death of the member or retiree to June 30th of the initial year of such increase.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Firefighters' Retirement System Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060 or at www.lafirefightersret.com.

Funding Policy. Plan members are required by state statute to contribute ten percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The employer contribution rates were 26.50 percent of annual covered salary for the plan years ending in 2019 and 2018. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

According to state statute, the System receives insurance premium tax funds from the State of Louisiana. The tax is considered support from a non-employer contribution but is not considered a special funding situation. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2019. During the year ending October 31, 2019, the Town had no recognized revenue as a result of support received from non-employer contributing entities for its participation in FRS.

The Town had no contributions in the fiscal years ending October 31, 2019 and 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At October 31, 2019, the Town had no liability to report for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2019, the Town's proportion was 0.0%, which was the same as its proportion measured as of June 30, 2018.

For the year ended October 31, 2019, the Town recognized pension expense for the FRS System of \$(22,104) representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At October 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the FRS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	17,436	(85,988)
Employer contributions subsequent to the measurement date	-	-
Total	\$ 17,436	\$ (85,988)

The Town reported no deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 which will be recognized as a reduction in net pension liability in the year ended October 31, 2020.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2020	\$ (21,549)
2021	(12,441)
2022	(15,340)
2023	(19,222)
2024	-
2025	-
	<u>\$ (68,552)</u>

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 is as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions:

Expected Remaining Service Lives	7 years
Investment Rate of Return	7.15%
Inflation Rate	2.50%
Salary Increases	Vary from 14.5% in the first two years of service to 4.50% after 25 years; including inflation and merit increases
Cost of Living Adjustments	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

future real rates of return by the target asset allocation percentage and by adding expected inflation, 2.75%. The long-term expected nominal rate of return was 7.94% as of June 30, 2019.

Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Type		Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	U.S. Equity	21.50%	5.98%
	Non-U.S. Equity	17.50%	7.52%
	Global Equity	10.00%	6.59%
Fixed Income	Fixed Income	31.00%	2.17%
Alternatives	Real Estate	6.00%	4.14%
	Private Equity	4.00%	10.52%
Multi-Asset Strategies	Global Tactical Asset Allocation	5.00%	4.37%
	Risk Parity	5.00%	4.67%
		<u>100.00%</u>	

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.15%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2019:

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rates	6.15%	7.15%	8.15%
Town of Franklinton Share of NPL	\$ -	\$ -	\$ -

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

16. Other Postemployment Benefits

General Information about the OPEB Plan

Plan Description. The Town administers a single-employer defined benefit Other Postemployment Benefits (OPEB) plan providing medical and prescription drug benefits to retired employees and their dependents under certain conditions. The Town does not issue a separate report that included financial statements and required supplementary information for the OPEB plan. Participation in the plan is authorized by a resolution passed by the Board of Aldermen on February 22, 2011; which authorized an amendment to the Town’s personnel policies and procedures manual to include the retirement health insurance benefit. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Individuals who are employed by the Town and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement at age 62 or older with at least 20 years of service. Coverage during retirement continues in the group health plans. The Town pays 100% of the coverage for the retiree. Employees covered by the plan may make contributions toward the plan premiums if a spouse is covered.

Employees Covered by Benefit Terms. As of October 31, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	53
Total	<u>53</u>

Total OPEB Liability

The Town’s total OPEB liability of \$679,601 was measured as of November 1, 2017, and was determined to by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. Using the Alternative Measurement Method (AMM) permitted under GASB Statement 75, a simplified version of the Entry Age Normal with Level Percentage of Pay Actuarial Cost Method was used to determine the total OPEB liability. The total OPEB liability in the November 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary Increases	3.0%
Discount Rate	4.33%
Healthcare Cost Trend Rates	4.9% decreasing to 4.7% for 2025

The discount rate was based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Mortality rates were based on the 2014 United States Life Tables.

Based on historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or the first subsequent year in which the member would qualify for benefits.

Spousal coverage of members at the calculation date was assumed to continue throughout retirement. Husbands are assumed to be three years older than wives.

All coverage ceases when the retiree attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected. Spousal health insurance coverage is provided until the spouse reaches Medicare eligibility as long as the required contributions are paid. Spouses may continue coverage until they are eligible for Medicare even if the retiree loses coverage due to death or reaching Medicare eligibility.

Turnover rates were based on Scale T-7 of the Actuary's Pension Handbook.

Changes in the Total OPEB Liability

Balance at October 31, 2018	\$ <u>637,251</u>
Changes for the year:	
Service Cost	31,408
Interest	28,571
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(12,902)
Changes of Assumptions	-
Benefit Payments	<u>(4,727)</u>
Net Changes	42,350
Balance at October 31, 2019	\$ <u><u>679,601</u></u>

Sensitivity of the Total OPEB Liability Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.33%) or 1-percentage-point higher (5.33%) than the current discount rate:

	1% Decrease (3.33%)	Current Discount Rate (4.33%)	1% Increase (5.33%)
Total OPEB Liability	\$ <u>750,875</u>	\$ <u>679,601</u>	\$ <u>613,944</u>

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

Sensitivity of the Total OPEB Liability Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.9% decreasing to 3.7%) or 1-percentage-point higher (5.9% decreasing to 5.7%) than the current healthcare cost trend rates:

		Current Healthcare Cost Trend Rate		
	1% Decrease (3.9% decreasing to 3.7%)	(4.9% decreasing to 4.7%)	1% Increase (5.9% decreasing to 5.7%)	
Total OPEB Liability	\$ 591,381	\$ 679,601	\$ 784,886	

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended October 31, 2019, the Town recognized OPEB expense of \$42,350. At October 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ N/A*	\$ N/A*
Changes of assumptions	N/A*	N/A*
Net difference between projected and actual earnings	-	-
Contributions made subsequent to measurement date	-	-
Total	\$ -	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Years Ending October 31:	
2019	N/A*
2020	N/A*
2021	N/A*
2022	N/A*
2023	N/A*
Thereafter	N/A*

* If using AMM procedures changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

17. Fund Balances and Net Position

At October 31, 2019, the General Fund had nonspendable fund balances of \$82,195 created from \$74,277 of prepaid insurance and \$7,918 in inventory for the streets and drainage department. Restricted fund balances for all governmental funds equaled \$1,817,584. Of this amount, \$1,817,522 is restricted due to legislation from sales taxes or ad valorem taxes and \$62 is restricted for debt service. Assigned fund balances of \$482,809 consisted of \$85,142 for insurance, \$26,529 for match for a grant, \$352,010 for fire activities, \$3,223 for police reserve, and \$15,905 for the airport. At October 31, 2019, the Enterprise Fund had restricted net position of \$266,889, representing the Town's funds restricted by revenue bond debt covenants and contracts with customers for meter deposits, net of any related liability.

18. Risk Management

The Town is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The Town purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The Town's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There has been no significant decrease in insurance coverage from the prior year.

In order to control insurance costs and concurrently manage the risks of loss, the Town of Franklinton has a deductible on general liability insurance and public officials' errors and omissions of \$25,000 for each loss occurrence, and \$50,000 per occurrence for law enforcement liability. As of October 31, 2019, a total of \$55,706 has been transferred to a separate insurance account designated for funding the deductible, and additional funds will be transferred to this account as funds become available.

19. Contingent Liabilities

At October 31, 2019, the Town has several suits pending or threatened litigation. As of the date of this report, the extent to which some of these suits are covered by insurance, the outcome of these suits, and any probable loss amount cannot be readily determinable.

20. On-Behalf Payments by the State of Louisiana

For the fiscal year ended October 31, 2019, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town recorded \$108,110 of on behalf payments as revenue and as an expenditure in the General Fund.

21. Other Commitments

In December 2016, the Town entered into multiple contracts related to the sewer improvement project. There are three separate "contract" or projects related to the overall improvement project. These were all completed and paid during the fiscal year ending October 31, 2019. The Town also began Contract E during the fiscal year.

Contract E is for effluent discharge improvements for the sewer improvement project. Bids for this project were awarded as follows: Spangler Engineering-\$59,290 for engineering fees. The Town has incurred \$18,414 in costs related to Contract E. There is approximately \$40,876 remaining in contracts related to engineering for Contract E. The bid for construction for Contract E was awarded on January 14, 2020 to Lawson-Bonet for \$155,236.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2019

On August 28, 2019, the Town entered into a capital lease purchase agreement for \$69,345 for partial payment on a new fire truck. The total quote of the fire truck is \$175,000. The Town plans to pay the remaining cost of \$105,655 from the fire savings account. The truck has been ordered and is expected to be completed by February 28, 2020. No funds have been received from the capital lease. These funds will be released once the truck is completed and delivered to the Town.

22. Subsequent Events

On January 14, 2020, the Town awarded the low bid from Lawson-Bonet for the construction of Contract E of the sewer improvements project in the amount of \$155,236.

Subsequent events have been evaluated by management through June 21, 2020, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending October 31, 2019.

Required Supplementary Information (Part II)

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Summary
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,634,430	\$ 2,711,700	\$ 2,754,417	\$ 42,717
Licenses and Permits	330,050	339,030	340,494	1,464
Intergovernmental	564,900	298,850	555,085	256,235
Charges for Services	300,850	302,400	304,188	1,788
Fines and Forfeitures	48,000	66,000	68,013	2,013
Interest	3,500	4,350	4,602	252
Miscellaneous	125,951	326,646	146,605	(180,041)
Total Revenues	<u>4,007,681</u>	<u>4,048,976</u>	<u>4,173,404</u>	<u>124,428</u>
Expenditures				
General Government	602,072	538,000	509,300	28,700
Public Safety:				
Police	2,197,950	2,121,910	2,062,055	59,855
Fire	250,090	227,810	250,948	(23,138)
Public Works	383,995	384,195	383,738	457
Sanitation	256,700	255,350	255,348	2
Health and Welfare	25,100	30,310	30,020	290
Transportation	8,250	7,650	7,986	(336)
Economic Development	-	-	-	-
Capital Outlays	324,000	113,700	141,327	(27,627)
Total Expenditures	<u>4,048,157</u>	<u>3,678,925</u>	<u>3,640,722</u>	<u>38,203</u>
Excess Revenues (Expenditures)	<u>(40,476)</u>	<u>370,051</u>	<u>532,682</u>	<u>162,631</u>

(Continued)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Summary
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Other Financing Sources (Uses)				
Operating Transfers In	165,000	165,000	165,000	-
Operating Transfers (Out)	(232,265)	(232,265)	(232,051)	214
Transfers to Other Governments	(60,000)	(55,500)	(55,500)	-
Sale of Capital Assets	4,500	7,825	7,825	-
Total Other Financing Sources (Uses)	<u>(122,765)</u>	<u>(114,940)</u>	<u>(114,726)</u>	<u>214</u>
Net Change in Fund Balances	<u>(163,241)</u>	<u>255,111</u>	<u>417,956</u>	<u>162,845</u>
Fund Balances, Beginning	<u>1,065,264</u>	<u>1,065,264</u>	<u>1,065,264</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 902,023</u>	<u>\$ 1,320,375</u>	<u>\$ 1,483,220</u>	<u>\$ 162,845</u>

(Concluded)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended October 31, 2019

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Taxes				
Ad Valorem	\$ 175,000	\$ 179,000	\$ 178,608	\$ (392)
Sales Taxes	2,248,230	2,315,500	2,359,482	43,982
Franchise Taxes	211,200	217,200	216,327	(873)
Total Taxes	2,634,430	2,711,700	2,754,417	42,717
Intergovernmental				
Federal Grants	142,000	23,600	283,687	260,087
State Grants	167,000	15,000	14,640	(360)
Other	255,900	260,250	256,758	(3,492)
Total Intergovernmental	564,900	298,850	555,085	256,235
Other Revenues				
Licenses and Permits	330,050	339,030	340,494	1,464
Charges for Services	300,850	302,400	304,188	1,788
Fines and Forfeitures	48,000	66,000	68,013	2,013
Interest	3,500	4,350	4,602	252
Miscellaneous	125,951	326,646	146,605	(180,041)
Total Other Revenues	808,351	1,038,426	863,902	(174,524)
Total Revenues	4,007,681	4,048,976	4,173,404	124,428

(Continued)

See independent auditor's report.

Schedule 2

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended October 31, 2019

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
General Government				
Salaries	300,500	244,200	250,620	(6,420)
Benefits	91,580	81,950	71,870	10,080
Payroll Taxes	28,250	38,700	16,965	21,735
General and Administrative	3,600	3,000	2,391	609
Insurance	21,800	20,150	17,843	2,307
Vehicle Expenses	2,600	2,100	2,063	37
Other operating	34,992	38,850	38,339	511
Professional Fees	54,700	57,250	57,142	108
Repairs and Maintenance	18,200	9,850	10,207	(357)
Supplies	20,850	18,350	18,248	102
Utilities	25,000	23,600	23,612	(12)
Total General Government	602,072	538,000	509,300	28,700
Public Safety:				
Police				
Salaries	1,201,100	1,157,500	1,152,750	4,750
Benefits	437,200	438,550	438,497	53
Payroll Taxes	87,500	80,300	92,666	(12,366)
General and Administrative	91,500	108,400	43,280	65,120
Insurance	245,000	194,500	193,061	1,439
Vehicle Expenses	45,000	49,000	49,652	(652)
Other operating	2,600	8,210	5,567	2,643
Repairs and Maintenance	24,000	25,750	27,774	(2,024)
Supplies	13,050	17,900	18,688	(788)
Telephone	22,000	16,800	15,141	1,659
Utilities	29,000	25,000	24,979	21
Total Police	2,197,950	2,121,910	2,062,055	59,855
Fire				
Salaries	87,660	72,400	75,216	(2,816)
Benefits	13,650	14,700	15,307	(607)
Payroll Taxes	6,830	4,950	5,641	(691)
General and Administrative	1,400	1,200	1,205	(5)
Insurance	44,500	42,900	42,595	305
Vehicle Expenses	5,000	2,200	2,969	(769)
Other operating	12,150	11,960	8,839	3,121
Repairs and Maintenance	26,100	30,750	30,727	23
Supplies	32,500	27,100	47,207	(20,107)
Telephone	1,700	1,600	1,567	33
Utilities	18,600	18,050	19,675	(1,625)
Total Fire	250,090	227,810	250,948	(23,138)
Total Public Safety	2,448,040	2,349,720	2,313,003	36,717

(Continued)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended October 31, 2019

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Public Works				
Salaries	165,400	158,800	158,778	22
Benefits	74,320	70,570	70,342	228
Payroll Taxes	11,650	11,650	12,124	(474)
General and Administrative	500	-	660	(660)
Insurance	42,500	44,050	45,560	(1,510)
Vehicle Expenses	11,000	12,600	12,444	156
Other operating	5,625	5,525	5,459	66
Repairs and Maintenance	15,000	13,000	14,360	(1,360)
Supplies	9,000	13,800	9,672	4,128
Utilities	49,000	54,200	54,339	(139)
Total Public Works	383,995	384,195	383,738	457
Sanitation				
Insurance	4,500	4,750	4,765	(15)
Other operating	252,200	250,600	250,583	17
Total Sanitation	256,700	255,350	255,348	2
Health and Welfare				
Salaries	16,200	18,700	18,313	387
Payroll Taxes	1,150	1,350	1,410	(60)
Insurance	200	400	389	11
Other operating	7,550	9,860	9,908	(48)
Total Health and Welfare	25,100	30,310	30,020	290
Transportation				
General and Administrative	2,400	2,400	2,400	-
Repairs and Maintenance	2,000	800	1,142	(342)
Utilities	3,850	4,450	4,444	6
Total Transportation	8,250	7,650	7,986	(336)
Capital Outlays	324,000	113,700	141,327	(27,627)
Total Expenditures	4,048,157	3,678,925	3,640,722	38,203
Excess Revenues (Expenditures)	(40,476)	370,051	532,682	162,631

(Continued)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Other Financing Sources (Uses)				
Operating Transfers In	165,000	165,000	165,000	-
Operating Transfers (Out)	(232,265)	(232,265)	(232,051)	214
Transfers to Other Governments	(60,000)	(55,500)	(55,500)	-
Sale of Capital Assets	4,500	7,825	7,825	-
Total Other Financing Sources (Uses)	<u>(122,765)</u>	<u>(114,940)</u>	<u>(114,726)</u>	<u>214</u>
Net Change in Fund Balances	<u>(163,241)</u>	<u>255,111</u>	<u>417,956</u>	<u>162,845</u>
Fund Balances, Beginning	<u>1,065,264</u>	<u>1,065,264</u>	<u>1,065,264</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 902,023</u>	<u>\$ 1,320,375</u>	<u>\$ 1,483,220</u>	<u>\$ 162,845</u>

(Concluded)

See independent auditor's report.

Town of Franklinton
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

Total OPEB Liability	<u>2018</u>	<u>2019</u>
Service Cost	\$ 30,493	\$ 31,408
Interest	27,145	28,571
Changes of Benefit Terms	-	-
Differences between Expected and Actual Experience	(224,368)	(12,902)
Changes of Assumptions	19,035	(4,727)
Benefit Payments	<u>-</u>	<u>-</u>
Net Change in Total OPEB Liability	(147,695)	42,350
Beginning OPEB Liability	<u>784,946</u>	<u>637,251</u>
Ending OPEB Liability	637,251	679,601
Covered-Employee Payroll	2,017,559	2,078,086
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	31.59%	32.70%

Notes to Required Supplementary Information (Schedule 3)

Benefit Changes: There were no changes of benefit terms for the year ended October 31, 2019.

Changes of Assumptions: There were no changes of assumptions for the year ended October 31, 2019.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

See independent auditor's report.

Town of Franklinton
Schedule of the Town's Proportionate Share of the Net Pension Liability - MERS Plan B
Last 10 Fiscal Years*

Municipal Employees' Retirement System:

	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.337769%	\$ 909,211	\$ 891,965	101.933484%	68.713552%
2016	1.316773%	\$ 1,091,484	\$ 924,187	118.102072%	63.337630%
2017	1.324145%	\$ 1,145,694	\$ 947,803	120.878917%	63.490937%
2018	1.296643%	\$ 1,096,742	\$ 960,916	114.135054%	65.598132%
2019	1.067834%	\$ 934,155	\$ 805,597	115.958169%	66.138762%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

See independent auditor's report.

Town of Franklinton
Schedule of the Town's Proportionate Share of the Net Pension Liability - MPERS
Last 10 Fiscal Years*

Municipal Police Employees' Retirement System:

	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.336217%	\$ 2,633,909	\$ 942,844	279.357879%	70.7303%
2016	0.320693%	\$ 3,005,797	\$ 974,304	308.507098%	66.0422%
2017	0.292655%	\$ 2,555,002	\$ 969,385	263.569376%	70.0815%
2018	0.272386%	\$ 2,302,768	\$ 894,845	257.337081%	71.8871%
2019	0.263135%	\$ 2,389,706	\$ 768,086	311.124796%	71.0078%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

Town of Franklinton
Schedule of the Town's Proportionate Share of the Net Pension Liability - FRS
Last 10 Fiscal Years*

State of Louisiana Firefighters' Retirement System:

	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.020710%	\$ 111,774	\$ 53,510	208.884321%	72.45%
2016	0.026006%	\$ 170,103	\$ 63,253	268.924794%	68.16%
2017	-	\$ -	\$ -	-	73.58%
2018	-	\$ -	\$ -	-	74.76%
2019	-	\$ -	\$ -	-	73.96%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

See independent auditor's report.

Town of Franklinton
Schedule of the Town's Contributions - MERS Plan B
For the year ended October 31, 2019

Municipal Employees' Retirement System:

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 121,528	\$ 121,528	\$ -	\$ 891,965	13.6247%
2016	110,223	110,223	-	854,390	12.9008%
2017	123,831	123,831	-	923,637	13.4069%
2018	132,828	132,828	-	919,895	14.4395%
2019	107,647	107,647	-	768,906	14.0000%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

See independent auditor's report.

Town of Franklinton
Schedule of the Town's Contributions - MPERS
For the year ended October 31, 2019

Municipal Police Employees' Retirement System:

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 279,265	\$ 279,265	\$ -	\$ 906,885	30.7939%
2016	275,625	275,625	-	967,897	28.4767%
2017	280,721	280,721	-	955,783	29.3708%
2018	260,601	260,601	-	888,452	29.3320%
2019	243,475	243,475	-	747,742	32.5614%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

Town of Franklinton
Schedule of the Town's Contributions - FRS
For the year ended October 31, 2019

State of Louisiana Firefighters' Retirement System:

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 15,489	\$ 15,489	\$ -	\$ 60,597	25.5607%
2016	10,701	10,701	-	63,075	16.9655%
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

See independent auditor's report.

Other Supplementary Information

Non-Major Governmental Funds

Special Revenue Funds:

Police Ad Valorem - To account for the receipt and disbursement of a five (5) mill ad valorem tax dedicated for the purpose of maintaining and improving the police department.

Streets and Drainage Ad Valorem - To account for the receipt and disbursement of a seven mill ad valorem tax dedicated for maintaining and improving streets and drainage.

Industrial Development Sales Tax - To account for disbursement of 10% of a 1% sales tax dedicated for the purposes of promoting and encouraging the location and development of commerce and industry, including land and building therefore. This fund is maintained to monitor continuing requirements for disbursement of funds from a sales tax issue expired October 2011.

Rural Development Grant - To account for the receipt and disbursement of a grant from the State of Louisiana for the purpose of providing financial assistance to purchase new equipment at an industrial development location.

Economic Development and Recreation Sales Tax - is a special revenue fund that accounts for and reports economic development and recreation sales tax, including the recording of related income and expenses.

Debt Service Funds:

Streets and Drainage Sinking Debt Service Fund accounts for resources set aside for payment of principal and interest on the Series 2011 Sales Tax Bonds

See independent auditor's report.

Schedule 6

**Town of Franklinton
Combining Balance Sheet -
Nonmajor Governmental Funds
As of October 31, 2019**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash	\$ -	\$ -	\$ -
Receivables, Net:			-
Intergovernmental	12,047	-	12,047
Accounts and Other	32	-	32
Due From Other Funds	20	-	20
Prepaid Insurance	8,242	-	8,242
Restricted Cash	1,722,498	62	1,722,560
Restricted Investmetns	93,050	-	93,050
Total Assets	<u>\$ 1,835,889</u>	<u>\$ 62</u>	<u>\$ 1,835,951</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 18,165	\$ -	\$ 18,165
Retainage Payable	-	-	-
Constuction Payable	-	-	-
Due to Other Funds	202	-	202
Total Liabilities	<u>18,367</u>	<u>-</u>	<u>18,367</u>
Fund Balances:			
Restricted Fund Balances	1,817,522	62	1,817,584
Unassigned Fund Balances	-	-	-
Total Fund Balances	<u>1,817,522</u>	<u>62</u>	<u>1,817,584</u>
Total Liabilities and Fund Balances	<u>\$ 1,835,889</u>	<u>\$ 62</u>	<u>\$ 1,835,951</u>

See independent auditor's report.

Town of Franklinton
Combining Balance Sheet -
Nonmajor Special Revenue Funds
As of October 31, 2019

	<u>Special Revenue Funds</u>					Total Nonmajor Special Revenue Funds
	Police Ad Valorem	Streets and Drainage Ad Valorem	Industrial Development Sales Tax	Rural Development Grant	Economic Development and Recreation Sales Tax	
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, Net:						
Intergovernmental	-	-	-	-	12,047	12,047
Accounts and Other	32	-	-	-	-	32
Due From Other Funds	-	20	-	-	-	20
Prepaid Insurance	8,242	-	-	-	-	8,242
Restricted Cash	191,604	447,551	341,920	35,472	705,951	1,722,498
Restricted Investments	-	93,050	-	-	-	93,050
Total Assets	\$ 199,878	\$ 540,621	\$ 341,920	\$ 35,472	\$ 717,998	\$ 1,835,889
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$ 3,307	\$ -	\$ -	\$ -	\$ 14,858	\$ 18,165
Due to Other Funds	202	-	-	-	-	202
Total Liabilities	3,509	-	-	-	14,858	18,367
Fund Balances:						
Restricted Fund Balances	196,369	540,621	341,920	35,472	703,140	1,817,522
Unassigned Fund Balances	-	-	-	-	-	-
Total Fund Balances	196,369	540,621	341,920	35,472	703,140	1,817,522
Total Liabilities and Fund Balances	\$ 199,878	\$ 540,621	\$ 341,920	\$ 35,472	\$ 717,998	\$ 1,835,889

See independent auditor's report.

Schedule 6.2

**Town of Franklinton
Combining Balance Sheet -
Nonmajor Other Governmental Funds
As of October 31, 2019**

	<u>Debt Service Fund</u>	
	<u>Streets and Drainage Sinking</u>	<u>Total Nonmajor Other Governmental Funds</u>
Assets		
Cash	\$ -	\$ -
Receivables, Net:		
Intergovernmental	-	-
Accounts and Other	-	-
Restricted Cash	62	62
Restricted Investments	-	-
Total Assets	\$ 62	\$ 62
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ -	\$ -
Retainage Payable	-	-
Construction Payable	-	-
Due to Other Funds	-	-
Total Liabilities	-	-
 Fund Balances:		
Restricted Fund Balances	62	62
Unassigned Fund Balances	-	-
Total Fund Balances	62	62
 Total Liabilities and Fund Balances	 \$ 62	 \$ 62

See independent auditor's report.

Town of Franklinton
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the year ended October 31, 2019

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Ad Valorem Taxes	\$ 301,307	\$ -	\$ 301,307
Sales Tax	123,481	-	123,481
Grants	-	-	-
Interest	3,192	103	3,295
Other	11,979	-	11,979
Unrealized Gain (Loss) on Investments	-	-	-
Total Revenues	<u>439,959</u>	<u>103</u>	<u>440,062</u>
Expenditures			
General Government	3,150	350	3,500
Public Safety			
Police	116,203	-	116,203
Fire	-	-	-
Public Works	17,322	-	17,322
Health and Welfare	-	-	-
Transportation	-	-	-
Recreation	39,656	-	39,656
Economic Development	15,832	-	15,832
Capital Outlays	56,442	-	56,442
Total Expenditures	<u>248,605</u>	<u>350</u>	<u>248,955</u>
Excess of Revenues Over (Under)			
Expenditures	<u>191,354</u>	<u>(247)</u>	<u>191,107</u>
Other Financing Sources (Uses)			
Bond Principal Payments	-	(215,000)	(215,000)
Interest Expense	-	(16,951)	(16,951)
Sale of Fixed Assets	-	-	-
Operating Transfers In	-	232,051	232,051
Operating Transfers Out	(90,000)	-	(90,000)
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>100</u>	<u>(89,900)</u>
Net Change in Fund Balances	<u>101,354</u>	<u>(147)</u>	<u>101,207</u>
Fund Balances, Beginning	1,716,168	209	1,716,377
Fund Balances, Ending	<u>\$ 1,817,522</u>	<u>\$ 62</u>	<u>\$ 1,817,584</u>

See independent auditor's report.

Town of Franklinton
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the year ended October 31, 2019

	<u>Special Revenue Funds</u>					<u>Total Nonmajor Special Revenue Funds</u>
	<u>Police Ad Valorem</u>	<u>Streets and Drainage Ad Valorem</u>	<u>Industrial Development Sales Tax</u>	<u>Rural Development Grant</u>	<u>Economic Development and Recreation Sales Tax</u>	
Revenues						
Ad Valorem Taxes	\$ 125,716	\$ 175,591	\$ -	\$ -	\$ -	\$ 301,307
Sales Tax	-	-	-	-	123,481	123,481
Grants	-	-	-	-	-	-
Interest	203	2,029	278	28	654	3,192
Other	8,779	-	-	-	3,200	11,979
Unrealized Gain (Loss) on Investments	-	-	-	-	-	-
Total Revenues	<u>134,698</u>	<u>177,620</u>	<u>278</u>	<u>28</u>	<u>127,335</u>	<u>439,959</u>
Expenditures						
General Government	-	-	3,150	-	-	3,150
Public Safety						
Police	116,203	-	-	-	-	116,203
Fire	-	-	-	-	-	-
Public Works	-	17,322	-	-	-	17,322
Health and Welfare	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Recreation	-	-	-	-	39,656	39,656
Economic Development	-	-	-	-	15,832	15,832
Capital Outlays	21,772	34,670	-	-	-	56,442
Total Expenditures	<u>137,975</u>	<u>51,992</u>	<u>3,150</u>	<u>-</u>	<u>55,488</u>	<u>248,605</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,277)</u>	<u>125,628</u>	<u>(2,872)</u>	<u>28</u>	<u>71,847</u>	<u>191,354</u>
Other Financing Sources (Uses)						
Bond Principal Payments	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	(90,000)	-	-	-	(90,000)
Transfers to Other Governments	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
Net Change in Fund Balances	<u>(3,277)</u>	<u>35,628</u>	<u>(2,872)</u>	<u>28</u>	<u>71,847</u>	<u>101,354</u>
Fund Balances, Beginning	199,646	504,993	344,792	35,444	631,293	1,716,168
Fund Balances, Ending	<u>\$ 196,369</u>	<u>\$ 540,621</u>	<u>\$ 341,920</u>	<u>\$ 35,472</u>	<u>\$ 703,140</u>	<u>\$ 1,817,522</u>

See independent auditor's report.

Schedule 7.2

Town of Franklinton
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Other Governmental Funds
For the year ended October 31, 2019

	<u>Debt Service Fund</u>	
	<u>Streets and Drainage Sinking</u>	<u>Total Nonmajor Other Governmental Funds</u>
Revenues		
Ad Valorem Taxes	\$ -	\$ -
Sales Tax	-	-
Grants	-	-
Interest	103	103
Other	-	-
Unrealized Gain (Loss) on Investments	-	-
Total Revenues	<u>103</u>	<u>103</u>
Expenditures		
General Government	350	350
Public Safety	-	-
Police	-	-
Fire	-	-
Public Works	-	-
Health and Welfare	-	-
Transportation	-	-
Recreation	-	-
Economic Development	-	-
Capital Outlays	-	-
Total Expenditures	<u>350</u>	<u>350</u>
Excess of Revenues Over (Under)		
Expenditures	<u>(247)</u>	<u>(247)</u>
Other Financing Sources (Uses)		
Bond Principal Payments	(215,000)	(215,000)
Interest Expense	(16,951)	(16,951)
Sale of Fixed Asset	-	-
Operating Transfers In	232,051	232,051
Operating Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>100</u>	<u>100</u>
Net Change in Fund Balances	<u>(147)</u>	<u>(147)</u>
Fund Balances, Beginning	209	209
Fund Balances, Ending	<u>\$ 62</u>	<u>\$ 62</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Police Ad Valorem
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Ad Valorem Taxes	\$ 126,700	\$ 126,750	\$ 125,716	\$ (1,034)
Interest	170	170	203	33
Miscellaneous	8,400	8,800	8,779	(21)
Total Revenues	<u>135,270</u>	<u>135,720</u>	<u>134,698</u>	<u>(1,022)</u>
Expenditures				
Public Safety:				
Police				
Insurance	-	950	954	(4)
Other operating	74,200	64,150	65,383	(1,233)
Repairs and Maintenance	30,500	42,500	44,330	(1,830)
Supplies	6,000	4,950	5,536	(586)
Capital Outlays	30,000	23,000	21,772	1,228
Total Expenditures	<u>140,700</u>	<u>135,550</u>	<u>137,975</u>	<u>(2,425)</u>
Excess Revenues (Expenditures)	<u>(5,430)</u>	<u>170</u>	<u>(3,277)</u>	<u>(3,447)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(5,430)</u>	<u>170</u>	<u>(3,277)</u>	<u>(3,447)</u>
Fund Balances, Beginning	<u>199,646</u>	<u>199,646</u>	<u>199,646</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 194,216</u>	<u>\$ 199,816</u>	<u>\$ 196,369</u>	<u>\$ (3,447)</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Streets and Drainage Ad Valorem
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Ad Valorem Taxes	\$ 177,200	\$ 176,000	\$ 175,591	\$ (409)
Interest	1,370	1,805	2,029	224
Total Revenues	<u>178,570</u>	<u>177,805</u>	<u>177,620</u>	<u>(185)</u>
Expenditures				
Public Works	31,500	21,100	17,322	3,778
Capital Outlays	30,000	34,700	34,670	30
Total Expenditures	<u>61,500</u>	<u>55,800</u>	<u>51,992</u>	<u>3,808</u>
Excess Revenues (Expenditures)	<u>117,070</u>	<u>122,005</u>	<u>125,628</u>	<u>3,623</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(90,000)	(90,000)	(90,000)	-
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>27,070</u>	<u>32,005</u>	<u>35,628</u>	<u>3,623</u>
Fund Balances, Beginning	<u>504,993</u>	<u>504,993</u>	<u>504,993</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 532,063</u>	<u>\$ 536,998</u>	<u>\$ 540,621</u>	<u>\$ 3,623</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Industrial Development Sales Tax Fund
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Interest	\$ 265	\$ 265	\$ 278	\$ 13
Miscellaneous	-	-	-	-
Total Revenues	<u>265</u>	<u>265</u>	<u>278</u>	<u>13</u>
Expenditures				
General Government	4,600	3,176	3,150	26
Economic Development	-	-	-	-
Capital Outlays	1,000	-	-	-
Total Expenditures	<u>5,600</u>	<u>3,176</u>	<u>3,150</u>	<u>26</u>
Net Change in Fund Balances	<u>(5,335)</u>	<u>(2,911)</u>	<u>(2,872)</u>	<u>39</u>
Fund Balances, Beginning	<u>344,792</u>	<u>344,792</u>	<u>344,792</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 339,457</u>	<u>\$ 341,881</u>	<u>\$ 341,920</u>	<u>\$ 39</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Rural Development Grant Fund
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Interest	\$ 25	\$ 29	\$ 28	\$ (1)
Miscellaneous	-	-	-	-
Total Revenues	<u>25</u>	<u>29</u>	<u>28</u>	<u>(1)</u>
Expenditures				
Capital Outlays	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>25</u>	<u>29</u>	<u>28</u>	<u>(1)</u>
Fund Balances, Beginning	<u>35,444</u>	<u>35,444</u>	<u>35,444</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 35,469</u>	<u>\$ 35,473</u>	<u>\$ 35,472</u>	<u>\$ (1)</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Economic Development and Recreation Sales Tax Fund
For the year ended October 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Sales Taxes	\$ 118,100	\$ 121,200	\$ 123,481	\$ 2,281
Interest	580	650	654	4
Miscellaneous	500	3,200	3,200	-
Total Revenues	<u>119,180</u>	<u>125,050</u>	<u>127,335</u>	<u>2,285</u>
Expenditures				
Recreation	17,000	36,750	39,656	(2,906)
Economic Development	10,000	15,000	15,832	(832)
Capital Outlays	5,000	-	-	-
Total Expenditures	<u>32,000</u>	<u>51,750</u>	<u>55,488</u>	<u>(3,738)</u>
Net Change in Fund Balances	<u>87,180</u>	<u>73,300</u>	<u>71,847</u>	<u>(1,453)</u>
Fund Balances, Beginning	<u>631,293</u>	<u>631,293</u>	<u>631,293</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 718,473</u>	<u>\$ 704,593</u>	<u>\$ 703,140</u>	<u>\$ (1,453)</u>

See independent auditor's report.

Town of Franklinton
Schedule of Net Position - Proprietary Fund Type
As of October 31, 2019
(With Comparative Totals as of October 31, 2018)

	Enterprise Funds	
	2019	2018
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 976,789	\$ 696,961
Investments	2,450,004	2,408,099
Receivables, Net		
Accounts	384,275	317,638
Other Receivables	-	134,268
Inventory - Gas and Supplies	128,410	98,131
Prepaid Insurance	29,411	24,355
Total Current Assets	3,968,889	3,679,452
Restricted Assets:		
Restricted Cash and Cash Equivalents	709,652	672,544
Restricted Investments - Customer Deposits	61,149	59,735
Total Restricted Assets	770,801	732,279
Property, Plant, and Equipment		
Land	3,300	3,300
Property, Plant and Equipment, Net	7,864,624	2,501,689
Construction in Progress	18,414	5,026,040
Total Property, Plant, and Equipment	7,886,338	7,531,029
Total Assets	12,626,028	11,942,760
Deferred Outflows of Resources		
Pension Related	133,056	177,244
Total Deferred Outflows of Resources	133,056	177,244
Total Assets and Deferred Outflows of Resources	\$ 12,759,084	\$ 12,120,004
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 24,706	\$ 41,616
Compensated Absences Payable	12,365	19,125
Other Accrued Payables	13,029	159,800
Retainage Payable	-	155,707
Due To Other Funds	26,004	26,384
Total Current Liabilities (Payable From Current Assets)	76,104	402,632
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	139,696	135,709
Revenue Bonds Payable	147,378	113,397
Interest Payable on Long Term Debt	-	40,190
Total Current Liabilities (Payable From Restricted Assets)	287,074	289,296
Long Term Liabilities:		
Bonds Payable	6,167,241	6,314,630
Net Pension Liability	598,407	691,082
Other Post Employment Benefits Obligation	263,341	250,809
Compensated Absences Payable	65,494	110,719
Total Long Term Liabilities	7,094,483	7,367,240
Total Liabilities	7,457,661	8,059,168
Deferred Inflows of Resources		
Pension Related	91,990	39,621
Total Deferred Inflows of Resources	91,990	39,621
Net Position		
Net Investment in Capital Assets	1,845,943	(3,651,012)
Restricted for:		
Debt Service	266,889	273,535
Unrestricted	3,096,601	7,398,692
Total Net Position	5,209,433	4,021,215
Total Liabilities, Deferred Outflows of Resources, and Net Position	\$ 12,759,084	\$ 12,120,004

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type
As of October 31, 2019
(With Comparative Totals as of October 31, 2018)

	Enterprise Funds	
	2019	2018
Operating Revenues		
Gas Sales	\$ 853,554	\$ 856,584
Less Cost of Gas Sold	(348,490)	(350,551)
Gross Profit on Gas Sales	505,064	506,033
Water Sales	687,333	697,571
Sewer Service Charges	901,656	909,814
Penalties	31,028	41,678
Intergovernmental	860,672	953,124
Other	63,879	63,997
Total Operating Revenues	3,049,632	3,172,217
Operating Expenses		
Bad Debts	18,297	17,908
Depreciation	383,521	334,445
Employee Benefits	241,923	260,987
Insurance	97,205	88,028
Meter Reading	20,811	17,490
Repairs and Maintenance	51,918	81,608
Professional Fees	78,708	76,298
Salaries and Wages	431,181	564,114
Supplies	80,764	95,781
Utilities	149,402	148,373
Other	95,856	112,358
Total Operating Expenses	1,649,586	1,797,390
Operating Income (Loss)	1,400,046	1,374,827
Nonoperating Revenues (Expenses)		
Unrealized Gain (Loss) on Investments	1,026	300
Realized Gain (Loss) on Investments	25,048	-
Bond Issuance Costs	-	(19,408)
Interest Income	18,799	15,061
Interest Expense	(181,701)	(116,317)
Total Nonoperating Revenues (Expenses)	(136,828)	(120,364)
Income (Loss) Before Contributions and Transfers	1,263,218	1,254,463
Contributions and Transfers		
Capital Contributions	-	-
Operating Transfers In	-	-
Operating Transfers Out	(75,000)	(75,000)
Change in Net Position	1,188,218	1,179,463
Total Net Position, Beginning		
Before Prior Period Adjustments	4,021,215	2,927,334
Prior Period Adjustments	-	(85,582)
Total Net Position, Beginning, After Prior Period Adjustments	4,021,215	2,841,752
Total Net Position, Ending	\$ 5,209,433	\$ 4,021,215

See independent auditor's report.

Town of Franklinton
Schedule of Cash Flows
Proprietary Fund Type
As of October 31, 2019
(With Comparative Totals as of October 31, 2018)

	<u>Enterprise Funds</u>	
	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Received From Customers	S 2,406,934	S 2,562,021
Paid for Meter Deposit Fees	3,987	(460)
Other Receipts	1,058,819	882,853
Receipt (Paid) for Interfund Services	(380)	1,227
Payments for Operations	(1,017,949)	(966,374)
Payments to Employees	(708,285)	(835,944)
Net Cash Provided (Used) by Operating Activities	<u>1,743,126</u>	<u>1,643,323</u>
Cash Flows From Noncapital Financing Activities		
Transfers From (To) Other Funds	<u>(75,000)</u>	<u>(75,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(75,000)</u>	<u>(75,000)</u>
Cash Flows From Capital and Related Financing Activities		
Payments for Capital Acquisitions	(1,017,445)	(1,858,728)
(Payments for) Bond Issuance Costs	-	(19,408)
Principal Proceeds from (Repayments for) Long Term Debt	(113,408)	407,881
Interest Payments for Long Term Debt	(221,891)	(76,127)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,352,744)</u>	<u>(1,546,382)</u>
Cash Flows From Investing Activities		
Receipt of Interest	18,799	15,061
Proceeds from sale (Payments) for Investments	<u>(17,245)</u>	<u>(13,875)</u>
Net Cash Provided by Investing Activities	<u>1,554</u>	<u>1,186</u>
Net Increase (Decrease) in Cash and Cash Equivalents	316,936	23,127
Cash and Cash Equivalents, Beginning of Year	<u>1,369,505</u>	<u>1,346,378</u>
Cash and Cash Equivalents, End of Year	<u>S 1,686,441</u>	<u>S 1,369,505</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	S 976,789	S 696,961
Cash and Cash Equivalents, Restricted	<u>709,652</u>	<u>672,544</u>
Total Cash and Cash Equivalents	<u>S 1,686,441</u>	<u>S 1,369,505</u>

(Continued)

See independent auditor's report.

Town of Franklinton
Schedule of Cash Flows
Proprietary Fund Type
As of October 31, 2019
(With Comparative Totals as of October 31, 2018)

	<u>Enterprise Funds</u>	
	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 1,400,046	\$ 1,374,827
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	383,521	334,445
(Increase) Decrease in Accounts Receivable	(66,637)	56,374
(Increase) Decrease in Other Receivable	134,268	(134,268)
(Increase) Decrease in Inventory	(30,279)	21,306
(Increase) Decrease in Prepaid Insurance	(5,056)	(3,884)
(Increase) Decrease in Deferred Outflows of Resources	44,188	51,215
(Increase) Decrease in Due (to) and from Other Funds	(380)	1,227
Increase (Decrease) in Accounts Payable	(16,910)	181
Increase (Decrease) in Compensated Absences	(51,985)	(8,021)
Increase (Decrease) in Deferred Inflows of Resources	52,369	14,916
Increase (Decrease) in Accrued Expenses	(104,006)	(64,535)
Increase (Decrease) in Customer Deposits	3,987	(460)
Net Cash Provided by Operating Activities	<u>\$ 1,743,126</u>	<u>\$ 1,643,323</u>

See independent auditor's report.
(Concluded)

Town of Franklinton
Combining Schedule of Net Position - Proprietary Fund Type - By Department
For the year ended October 31, 2019

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 976,789	\$ -	\$ 976,789
Investments	1,470,157	443,219	536,628	2,450,004
Accounts Receivables, Net	32,279	296,600	55,396	384,275
Other Receivables	-	-	-	-
Inventory	44,965	60,702	22,743	128,410
Prepaid Insurance	8,344	10,196	10,871	29,411
Total Current Assets	<u>1,555,745</u>	<u>1,787,506</u>	<u>625,638</u>	<u>3,968,889</u>
Restricted Assets:				
Restricted Cash and Cash Equivalents	6,994	170,382	532,276	709,652
Restricted Investments - Customer Deposits	34,600	26,549	-	61,149
Total Restricted Assets	<u>41,594</u>	<u>196,931</u>	<u>532,276</u>	<u>770,801</u>
Property, Plant, and Equipment				
Land	-	3,300	-	3,300
Property, Plant and Equipment, Net	38,042	159,303	7,667,279	7,864,624
Construction in Progress	-	-	18,414	18,414
Total Property, Plant, and Equipment	<u>38,042</u>	<u>162,603</u>	<u>7,685,693</u>	<u>7,886,338</u>
Total Assets	<u>1,635,381</u>	<u>2,147,040</u>	<u>8,843,607</u>	<u>12,626,028</u>
Deferred Outflows of Resources				
Pension Related	44,352	44,352	44,352	133,056
Total Deferred Outflows of Resources	<u>44,352</u>	<u>44,352</u>	<u>44,352</u>	<u>133,056</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,679,733</u>	<u>\$ 2,191,392</u>	<u>\$ 8,887,959</u>	<u>\$ 12,759,084</u>
Liabilities				
Current Liabilities (Payable From Current Assets):				
Accounts Payable	\$ 19,573	\$ 3,807	\$ 1,326	\$ 24,706
Compensated Absences Payable	5,042	4,453	2,870	12,365
Other Accrued Payables	5,152	5,066	2,811	13,029
Due To Other Funds	3,991	(4,385)	26,398	26,004
Total Current Liabilities (Payable From Current Assets)	<u>33,758</u>	<u>8,941</u>	<u>33,405</u>	<u>76,104</u>
Current Liabilities (Payable From Restricted Assets):				
Customer Deposits	39,639	59,777	40,280	139,696
Revenue Bonds Payable	-	33,205	114,173	147,378
Interest Payable on Long Term Debt	-	-	-	-
Total Current Liabilities (Payable From Restricted Assets)	<u>39,639</u>	<u>92,982</u>	<u>154,453</u>	<u>287,074</u>
Long Term Liabilities:				
Bonds Payable	-	769,741	5,397,500	6,167,241
Net Pension Liability	199,469	199,469	199,469	598,407
Other Post Employment Benefits Obligation	87,780	87,780	87,780	263,341
Compensated Absences Payable	27,383	36,066	2,045	65,494
Total Long Term Liabilities	<u>314,632</u>	<u>1,093,056</u>	<u>5,686,794</u>	<u>7,094,483</u>
Total Liabilities	<u>388,029</u>	<u>1,194,979</u>	<u>5,874,652</u>	<u>7,457,661</u>
Deferred Inflows of Resources				
Pension Related	30,663	30,663	30,663	91,990
Total Deferred Inflows of Resources	<u>30,663</u>	<u>30,663</u>	<u>30,663</u>	<u>91,990</u>
Net Position				
Net Investment in Capital Assets				1,845,943
Restricted for:				
Capital Projects and Debt Service				266,889
Unrestricted				3,096,601
Total Net Position				<u>5,209,433</u>
Total Liabilities, Deferred Outflows of Resources, and Net Position				<u>\$ 12,759,084</u>

See independent auditor's report.

Town of Franklinton
Combining Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type - By Department
For the year ended October 31, 2019

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ 853,554	\$ -	\$ -	\$ 853,554
Less Cost of Gas Sold	<u>(348,490)</u>	<u>-</u>	<u>-</u>	<u>(348,490)</u>
Gross Profit on Gas Sales	505,064	-	-	505,064
Water Sales	-	687,333	-	687,333
Sewer Service Charges	-	-	901,656	901,656
Penalties	346	15,268	15,414	31,028
Intergovernmental	6,630	4,770	849,272	860,672
Other	<u>2,926</u>	<u>51,443</u>	<u>9,510</u>	<u>63,879</u>
Total Operating Revenues	<u>514,966</u>	<u>758,814</u>	<u>1,775,852</u>	<u>3,049,632</u>
Operating Expenses				
Bad Debts	3,025	7,002	8,270	18,297
Depreciation	18,368	39,746	325,407	383,521
Employee Benefits	101,534	69,706	70,683	241,923
Insurance	32,677	33,632	30,896	97,205
Meter Reading	6,937	6,937	6,937	20,811
Repairs and Maintenance	9,124	32,547	10,247	51,918
Professional Fees	16,661	16,661	45,386	78,708
Salaries and Wages	205,206	95,655	130,320	431,181
Supplies	18,396	43,330	19,038	80,764
Utilities	-	44,489	104,913	149,402
Other	<u>44,790</u>	<u>35,035</u>	<u>16,031</u>	<u>95,856</u>
Total Operating Expenses	<u>456,718</u>	<u>424,740</u>	<u>768,128</u>	<u>1,649,586</u>
Operating Income (Loss)	<u>58,248</u>	<u>334,074</u>	<u>1,007,724</u>	<u>1,400,046</u>
Nonoperating Revenues (Expenses)				
Unrealized Gain (Loss) on Investments	368	306	352	1,026
Realized Gain (Loss) on Investments	11,921	6,136	6,991	25,048
Interest Income	15,255	1,979	1,565	18,799
Interest Expense	<u>-</u>	<u>(41,654)</u>	<u>(140,047)</u>	<u>(181,701)</u>
Total Nonoperating Revenues (Expenses)	<u>27,544</u>	<u>(33,233)</u>	<u>(131,139)</u>	<u>(136,828)</u>
Income (Loss) Before Transfers	<u>85,792</u>	<u>300,841</u>	<u>876,585</u>	<u>1,263,218</u>
Transfers				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(75,000)</u>
Change in Net Position	<u>\$ 60,792</u>	<u>\$ 275,841</u>	<u>\$ 851,585</u>	<u>1,188,218</u>
Total Net Position, Beginning				<u>4,021,215</u>
Total Net Position, Ending				<u>\$ 5,209,433</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Gas Utility System
For the year ended October 31, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Gas Sales	\$ 845,150	\$ 853,554	\$ 8,404
Less Cost of Gas Sold	(372,900)	(348,490)	24,410
Gross Profit on Gas Sales	472,250	505,064	32,814
Penalties	350	346	(4)
Intergovernmental	-	6,630	6,630
Other	2,650	2,926	276
Total Operating Revenues	<u>475,250</u>	<u>514,966</u>	<u>39,716</u>
Operating Expenses			
Bad Debts	-	3,025	(3,025)
Depreciation	18,500	18,368	132
Employee Benefits	90,250	101,534	(11,284)
Insurance	34,400	32,677	1,723
Meter Reading	6,950	6,937	13
Repairs and Maintenance	8,900	9,124	(224)
Professional Fees	16,650	16,661	(11)
Salaries and Wages	205,200	205,206	(6)
Supplies	24,950	18,396	6,554
Other	45,200	44,790	410
Total Operating Expenses	<u>451,000</u>	<u>456,718</u>	<u>(5,718)</u>
Operating Income (Loss)	<u>24,250</u>	<u>58,248</u>	<u>33,998</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	368	368
Realized Gain (Loss) on Investments	-	11,921	11,921
Interest Income	13,650	15,255	1,605
Total Nonoperating Revenues (Expenses)	<u>13,650</u>	<u>27,544</u>	<u>13,894</u>
Income (Loss) Before Transfers	<u>37,900</u>	<u>85,792</u>	<u>47,892</u>
Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	(25,000)	(25,000)	-
Change in Net Position	<u>\$ 12,900</u>	<u>\$ 60,792</u>	<u>\$ 47,892</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water Utility System
For the year ended October 31, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 674,000	\$ 687,333	\$ 13,333
Penalties	15,000	15,268	268
Intergovernmental	-	4,770	4,770
Other	21,700	51,443	29,743
Total Operating Revenues	<u>710,700</u>	<u>758,814</u>	<u>48,114</u>
Operating Expenses			
Bad Debts	-	7,002	(7,002)
Depreciation	98,500	39,746	58,754
Employee Benefits	56,230	69,706	(13,476)
Insurance	35,330	33,632	1,698
Meter Reading	6,950	6,937	13
Repairs and Maintenance	43,000	32,547	10,453
Professional Fees	16,700	16,661	39
Salaries and Wages	135,690	95,655	40,035
Supplies	66,800	43,330	23,470
Utilities	44,500	44,489	11
Other	43,485	35,035	8,450
Total Operating Expenses	<u>547,185</u>	<u>424,740</u>	<u>122,445</u>
Operating Income (Loss)	<u>163,515</u>	<u>334,074</u>	<u>170,559</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	306	306
Realized Gain (Loss) on Investments	-	6,136	6,136
Interest Income	1,560	1,979	419
Interest Expense	(40,619)	(41,654)	(1,035)
Total Nonoperating Revenues (Expenses)	<u>(39,059)</u>	<u>(33,233)</u>	<u>5,826</u>
Income (Loss) Before Transfers	<u>124,456</u>	<u>300,841</u>	<u>176,385</u>
Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	(25,000)	(25,000)	-
Change in Net Position	<u>\$ 99,456</u>	<u>\$ 275,841</u>	<u>\$ 176,385</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Sewer Utility System
For the year ended October 31, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Sewer Charges	\$ 880,300	\$ 901,656	\$ 21,356
Penalties	14,600	15,414	814
Intergovernmental	-	849,272	849,272
Other	8,850	9,510	660
Total Operating Revenues	<u>903,750</u>	<u>1,775,852</u>	<u>872,102</u>
Operating Expenses			
Bad Debts	-	8,270	(8,270)
Depreciation	262,400	325,407	(63,007)
Employee Benefits	63,335	70,683	(7,348)
Insurance	31,200	30,896	304
Meter Reading	7,500	6,937	563
Repairs and Maintenance	17,700	10,247	7,453
Professional Fees	45,500	45,386	114
Salaries and Wages	141,900	130,320	11,580
Supplies	19,700	19,038	662
Utilities	104,500	104,913	(413)
Other	40,360	16,031	24,329
Total Operating Expenses	<u>734,095</u>	<u>768,128</u>	<u>(34,033)</u>
Operating Income (Loss)	<u>169,655</u>	<u>1,007,724</u>	<u>838,069</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	352	352
Realized Gain (Loss) on Investments	-	6,991	6,991
Interest Income	1,130	1,565	435
Interest Expense	(180,320)	(140,047)	40,273
Total Nonoperating Revenues (Expenses)	<u>(179,190)</u>	<u>(131,139)</u>	<u>48,051</u>
Income (Loss) Before Transfers	<u>(9,535)</u>	<u>876,585</u>	<u>886,120</u>
Transfers and Capital Contributions			
Operating Transfers In	-	-	-
Operating Transfers Out	(25,000)	(25,000)	-
Change in Net Position	<u>\$ (34,535)</u>	<u>\$ 851,585</u>	<u>\$ 886,120</u>

See independent auditor's report.

Town of Franklinton
Schedule of Gas, Water and Sewer Rates
Proprietary Fund Type
For the year ended October 31, 2019

Gas	
Residential Rates	Commercial Rates
\$ 11.50 - Base charge "plus" Cost of Gas to Town (CCF) plus charge of \$0.60 per CCF, times Consumer Price Index (CPI)	\$ 18.00 - Base charge "plus" Cost of Gas to Town (CCF) plus charge of \$0.60 per CCF, times Consumer Price Index (CPI)
Industrial Rates	
Base Price of \$25, plus negotiated rate based on cost analysis	
Water	
Residential Rates	Commercial Rates
\$ 19.00 - Base Charge	\$ 22.00 - Base Charge
\$ 2.50 - Per 1,000 Gallons of Water	\$ 2.60 - Per 1,000 Gallons of Water
Sewer	
Residential Rates	Commercial Rates
\$ 22.00 - Base Charge	\$ 35.00 - Base Charge
\$ 4.25 - Per 1,000 Gallons of Water	\$ 4.50 - Per 1,000 Gallons of Water
For all Sewer Service Outside of Town	
\$ 38.00 - Flat Rate Charge	

See independent auditor's report.

Schedule of Number of Customers
Proprietary Fund Type
For the year ended October 31, 2019

	Residential	Commercial	Industrial	Total
Gas	691	163	3	857
Water	1,162	318	3	1,483
Sewer	1,149	341	3	1,493
Total	3,002	822	9	3,833

See independent auditor's report.

Town of Franklinton
Schedule of Insurance
For the year ended October 31, 2019

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Mt. Hawley Insurance MCP0168302	Commercial Property	S 4,007,690	4/4/2019 to 4/4/2020
Liberty Mutual BMW570043599	Inland Marine (Scheduled)	696,398	4/4/2019 to 4/4/2020
CNA 68486705	Fidelity Bond: Mayor	100,000	4/9/2019 to 4/9/2020
68486705	Fidelity Bond: Clerk	100,000	4/9/2019 to 4/9/2020
01166022A	Fidelity Bond: Limit each of two Assistant Clerks	15,000	9/14/2019 to 9/14/2020
Atlantic Speciality Insurance 791-00-15-19-0002	Commercial Automobile-Large Fleet	1,000,000	4/4/2019 to 4/4/2020
Atlantic Speciality Insurance 791-00-15-21-0002	Commercial Automobile-Small Fleet	1,000,000	4/4/2019 to 4/20/2020
Atlantic Speciality Insurance 791-00-15-19-0002	Commerical General Liability	1 mil/2mil	4/4/2019 to 4/4/2020
Louisiana Workers Comp Corporation LWCC 72437	Workers Compensation at Statutory Limitations: Employers Liability (each accident) Employees Liability (each accident) Disease, Policy Limit	100,000 100,000	11/15/2019 to 11/15/2020
Old Republic PR-00149120	Airport Liability	1,000,000	2/19/2019 to 2/19/2020
Atlantic Speciality Insurance 791-00-15-19-0002	Law Enforcement Liability	1 mil/ 2 mil	4/4/2019 to 4/4/2020
791-00-15-19-0002	Public Officials Errors & Omissions	1 mil/ 2 mil	4/4/2019 to 4/4/2020

See independent auditor's report.

Town of Franklinton
Schedule of Compensation Paid to Board Members
For the year ended October 31, 2019

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Richard Dillon, Mayor (985) 515-9877	1102 Lynnwood Drive Franklinton, LA 70438	\$ 29,500	12/31/2020
John L. Daniel, Alderman (985) 839-2382	309 10th Avenue Franklinton, LA 70438	9,600	12/31/2020
T.J. Butler, Alderman (985) 839-3436	727 18th Avenue Franklinton, LA 70438	9,600	12/31/2020
Darwin Sharp, Alderman (985) 515-1331	631 Williams Street Franklinton, LA 70438	9,600	12/31/2020
Heath Spears, Alderman (985) 515-7411	1041 Bickham Street Franklinton, LA 70438	9,600	12/31/2020
Patrice Crain, Alderman (225) 936-0914	P.O. Box 146 Franklinton, LA 70438	9,600	12/31/2020
		<u>\$ 77,500</u>	

See independent auditor's report.

Schedule 24

Town of Franklinton

Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head
For the year ended October 31, 2019

Agency Head Name: Richard Dillon, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 29,500
Benefits-Insurance	68
Benefits-Retirement	4,720
Employer Paid Medicare & Social Security	2,257
Reimbursements	32
Travel/Lodging	397
Registration Fees	200
Fuel Expense	1,220
Business Meals	186
	<u>\$ 38,580</u>

See independent auditor's report.

Town of Franklinton
Schedule of Federal Awards
For the year ended October 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Totals</u>
<u>U.S. Department of Transportation:</u>				
Passed through Louisiana Highway Safety Commission State and Community Highway Safety	20.600	2019-30-21	\$ 38,971	\$ 38,971
Total U.S. Department of Transportation				<u>38,971</u>
<u>U.S. Department of Agriculture:</u>				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 844,088	844,088
Community Facilities Grant Program Fire and Rescue	10.766	N/A	\$ 74,942	74,942
Total U.S. Department of Agriculture				<u>919,030</u>
Total Expenditures of Federal Awards				\$ <u>958,001</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal loan and grant activity of the Town of Franklinton and is presented on the modified accrual basis of accounting. There are no loans or loan guarantees. The information in this schedule is presented in accordance with requirements of Uniform Guidance.

Note 2 - Indirect Cost Rate

The Town of Franklinton has elected not to use the 10-percent de minimis direct cost rate allowed under the Uniform Guidance.

See independent auditor's report.

Minda B. Raybourn
Certified Public Accountant
Limited Liability Company

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Member
AICPA

Member
LCPA

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

To the Honorable Mayor Richard Dillon
And Board of Aldermen
Town of Franklinton, LA

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Louisiana, Franklinton, as of and for the year ended October 31, 2019 and the related notes to the financial statements, which collectively comprise the Town of Franklinton, Louisiana's basic financial statements and have issued I report thereon dated June 21, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Franklinton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Franklinton's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Franklinton's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Franklinton's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Minda Rayburn".

Franklinton, LA

June 21, 2020

Minda B. Raybourn
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Honorable Mayor Richard Dillon
And Board of Aldermen
Town of Franklinton, LA

Report on Compliance for Each Major Federal Program

I have audited the Town of Franklinton, Louisiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Franklinton, Louisiana's major federal programs for the year ended October 31, 2019. Town of Franklinton, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Town of Franklinton, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Franklinton, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Town of Franklinton, Louisiana's compliance.

Opinion on Each Major Federal Program

In my opinion, the Town of Franklinton, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2019.

Report on Internal Control over Compliance

Management of the Town of Franklinton, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, I considered the Town of Franklinton, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 of Franklinton, Louisiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Minda Raybourn
Franklinton, LA
June 21, 2020

**TOWN OF FRANKLINTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2019**

FEDERAL AWARDS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Town of Franklinton, Louisiana were prepared in accordance with generally accepted accounting principles.
2. No material weaknesses or significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Town of Franklinton, Louisiana which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed.
4. No significant deficiencies or material weaknesses were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award programs for Town of Franklinton expresses an unmodified opinion on all major federal award programs.
6. The program tested as a major program was the United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities (10.760).
7. The threshold for the distinguishing Types A and B programs is as follows:

Type A- \$750,000 or more of federal awards expended
Type B- Any program that does not meet the threshold of Type A programs.
8. For the period ending October 31, 2019, Town of Franklinton, Louisiana was determined not to be a low-risk auditee.

Town of Franklinton, Louisiana
Schedule of Prior Year Audit Findings & Questioned Costs
For the Year Ended October 31, 2018

Noncompliance Finding

Finding 2018-001 Noncompliance with Local Government Budget Act

Criteria:

The Town must comply with certain provisions of the Local Government Budget Act set forth in state law, LSA R.S. 39:1301-1314. The Act contains various budget requirements for the General Fund and special revenue funds regarding public notification and disclosure, and requires budget to be amended when:

- 1) Total revenues, or other sources plus projected revenue and other sources for the remainder of the year are failing to meet total budgeted revenues and other sources by five percent or more.
- 2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year are failing to meet total budgeted expenditures and other uses by five percent or more.
- 3) Actual beginning fund balance within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

Condition:

For the fiscal year ended October 31, 2018 in the streets and drainage ad valorem special revenue fund, actual expenditures and other uses of funds were over budget by 342% or \$74,176.

Effect:

If the budget is not monitored on a monthly basis and amended as required and if expenditures exceed available funds, an entity is in violation of the Local Government Budget Act.

Cause:

A transfer in the amount of \$75,000 from the streets and drainage ad valorem special revenue fund to the general fund was not budgeted as an operating use of funds.

Recommendation:

The Town needs to insure before year end that the budget is amended properly for all transfer of funds.

Management Response:

Management concurs with the recommendation.

Status:

Resolved.

Minda B. Raybourn

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MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Honorable Richard Dillon
And Board of Aldermen
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Franklinton (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2018 through October 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

- c) *Disbursements*, including processing, reviewing, and approving
- d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

All policies and procedures noted above are addressed with the exception of disaster recovery/business continuity. The periodic testing and verification that backups can be restored is not in writing.

Response: We will include the periodic testing and verification that backups can be restored in the IT policies and procedures.

Payroll and Personnel

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

A listing of employees/elected officials employed during the fiscal period and management's representation were obtained. Five employees/officials personnel data were obtained. Paid salaries and authorized pay rates were agreed to the underlying records.

9. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Daily attendance and leave were documented.

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

Attendance records and leave were approved.

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

Leave accrued or taken is reflected in the entity's payroll system.

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

A list of employees terminated was provided. Two employees were terminated. One employee did not have any accrued vacation paid. One employee was paid his vacation leave at the authorized pay rate.

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

No exceptions were noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in cursive script that reads "Minda Raybourn".

Minda Raybourn CPA
Franklinton, LA 70438

June 21, 2020