

TOWN OF MARION
MARION, LOUISIANA

Financial Report
For the Year Ended December 31, 2019



TOWN OF MARION
MARION, LOUISIANA
FOR THE YEAR ENDED DECEMBER 31, 2019

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MARION, LOUISIANA
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITORS REPORT

Honorable Mayor and Board of Aldermen of the
Town of Marion, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Marion, Louisiana (the Town), as of and for the year ended December 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 my audit. I conducted my audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 and each major fund of the Town as of December 31, 2019, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and page 42, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 by the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information of consistency with management's response to my inquires, 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 form of 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's financial statements. The accompanying information listed as other supplemental information in the Table of Contents are presented for the purposes of additional analysis are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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.

This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information (except for the Schedule of Current Insurance in Force) has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Schedule of Current Insurance in Force has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance.

The schedule of compensation, reimbursements, benefits and other payments to 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits and other payments to agency head and the Schedule of Expenditures of Federal Awards are 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 July 10, 2020, on my consideration of the Town'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's internal control over financial reporting and compliance.

Maxwell CPA, LLC

Monroe, Louisiana
July 10, 2020

REQUIRED SUPPLEMENTAL INFORMATION (PART A)
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF MARION, LOUISIANA

Management's Discussion and Analysis Year Ended December 31, 2019

The management of the Town of Marion, Louisiana offers reader of the Town of Marion, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2019. Management discussion and analysis is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, or conditions.

Overview of the Financial Statements

The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the above categories reported as net position. The statement of activities shows how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the related cash flows.

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues for example, the police and fire departments. Business-type activities are functions that are intended to support their costs through charges for services or fees such as the water and sewer departments.

Fund Financial Statements

The Town of Marion, Louisiana maintains one individual governmental fund at this time, the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is a major fund.

The Town adopts an annual budget for its general fund. A budgetary comparison schedule is presented on page 42 which compares actual revenues and expenditures to the original budget and amended budget figures. The original budget was adopted December 2018 and it was amended December 2019.

The Town operates a proprietary fund. The Town uses an enterprise fund to account for its water and sewer disposal operations. This enterprise fund reports the same functions presented as a business-type activity in the government-wide financial statements.

The notes to the financial statements have additional information presented that is essential to a full understanding of the data provided in the government-wide financial statements. The notes are found on pages 19-41.

Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2019

Government-Wide Financial Analysis

Overall, the Town's financial position and results of its operation improved in 2019. The largest percentage of the total assets (78%) is the Town's investment in net capital assets. The Town has outstanding debt of \$1,383,511, which was used to finance some of the \$3,915,503 of capital assets. (For more detailed information on the Town's debt and capital assets, see pages 33-37.) The total liabilities of \$1,468,792 are 41% of the total net position.

The following table reflects the condensed statement of net position at December 31, 2019.

	Governmental Activities	Business-Type Activities	2019 Total	2018 Total
<u>Assets</u>				
Current Assets	\$ 480,975	\$ 251,785	\$ 732,760	\$ 618,664
Restricted Assets	11,991	383,206	395,197	373,320
Capital Assets Net of Accumulated Depreciation	921,458	2,994,045	3,915,503	3,245,957
Total Assets	1,414,424	3,629,036	5,043,460	4,237,941
<u>Liabilities</u>				
Current Liabilities	14,658	103,148	117,806	101,921
Non-Current Liabilities	84,893	1,266,093	1,350,986	1,382,893
Total Liabilities	99,551	1,369,241	1,468,792	1,484,814
<u>Net Position</u>				
Investment in Capital Assets	827,715	1,703,035	2,530,750	1,829,293
Restricted for Debt Service	11,991	359,087	371,078	349,674
Unrestricted	475,167	197,673	672,840	574,160
Total Net Position	\$ 1,314,873	\$ 2,259,795	\$ 3,574,668	\$ 2,753,127

The Town's governmental activities increased the net position by \$54,655. The total business-type activities increased the Town's net position by \$766,886. Below is a summary of the statement of activities.

**Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2019**

	Governmental Activities	Business-Type Activities	2019 Total	2018 Total
<u>Revenues</u>				
Program Revenues	\$ 894,043	\$ 288,396	\$ 1,182,439	\$ 350,096
General Revenues	363,737	137,256	500,993	352,755
Transfers	(787,282)	787,282	-	-
Total Revenues	470,498	1,212,934	1,683,432	702,851
<u>Expenses</u>				
General and Administrative	106,815	-	106,815	99,875
Police Protection	172,043	-	172,043	147,593
Fire Protection	51,475	-	51,475	29,171
Public Works	66,682	-	66,682	64,203
Sanitation	10,323	-	10,323	9,002
Culture and Recreation	4,790	-	4,790	3,109
Water & Sewer	-	446,048	446,048	459,830
Interest on Long-Term Debt	3,715	-	3,715	3,877
Total Expenses	415,843	446,048	861,891	816,660
Increase in Net Position	54,655	766,886	821,541	(113,809)
<u>Net Position - January 1, 2019</u>	<u>1,260,218</u>	<u>1,492,909</u>	<u>2,753,127</u>	<u>2,866,936</u>
<u>Net Position - December 31, 2019</u>	<u>\$ 1,314,873</u>	<u>\$ 2,259,795</u>	<u>\$ 3,574,668</u>	<u>\$ 2,753,127</u>

Program Revenues are broken down as follows:

<u>Program Revenues</u>	<u>Total</u>	<u>% of Program Revenues</u>
Public Safety - Charges	\$ 39,288	3%
Public Safety - Grants	9,336	1%
Public Works - Charges	5,560	1%
Sanitation	51,077	4%
Culture and Recreation - Grant	1,500	1%
LCDBG Grant	787,282	66%
Water - Charges	221,399	19%
Water - Grants	15,012	1%
Sewer - Charges	51,985	4%
Total Program Revenues	\$ 1,182,439	

**Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2019**

General Revenues consist of the following:

<u>General Revenues</u>	<u>Total</u>	<u>% of General Revenues</u>
Property Taxes	\$ 59,891	12%
Sales Taxes	331,273	66%
Franchise Taxes	44,714	9%
Alcoholic Beverage Tax	1,336	1%
Licenses & Permits	45,326	9%
Interest Income	7,176	1%
Miscellaneous	11,277	2%
Total General Revenues	\$ 500,993	

Financial Analysis of the Government's Funds

The Town of Marion's governmental funds reported an ending fund balance of \$487,158 which is an increase of \$63,417. The Town's proprietary fund shows an ending net position of \$2,259,795, which is an increase of \$766,886. The primary reason for the increase in the proprietary funds is a grant received from LCDBG to make improvements to the water system.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the Town budget once. The difference between the original expenditure budget and the amended expenditure budget was an increase of \$73,366. Revenues were \$71,081 more on the amended budget than the original budget.

Capital Assets and Debt Administration

The total investment in net capital assets as of December 31, 2019 is \$3,901,821. New major capital asset additions in 2019 were improvements to the water system.

In 2019, the Town paid the USDA for loans in the general fund and water fund totaling \$81,856, which included \$56,190 in interest and \$25,666 in principal, which left an unpaid principal balance of \$1,373,012.

The Town paid \$5,988 on the loan with Marion State Bank, which was \$5,738 in principal and \$250 in interest. The balance on this loan was \$9,815 at December 31, 2019.

Current Financial Factors

Sales taxes collected have leveled back off in 2020 decreasing from 2019 amounts.

There is a slight increase in water sales through June 2020 when compared to the same period in 2019.

**Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2019**

Construction Projects

The Town is under an administrative order to improve water quality throughout the system. The Town received funding of \$787,282 from LCDBG in 2019. The Town also received \$12,400 from LGAP in addition to the LCDBG. According to the engineers this will cost somewhere between \$897,700 and \$1,000,000. The project is underway and will be completed in 2020.

Requests for Information

The financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Johnnie Baker, Town Clerk, Marion, Louisiana. The phone number is 318-292-4715.

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 419,229	\$ 119,438	\$ 538,667
Investments	15,218	34,773	49,991
Receivables Net	28,305	50,925	79,230
Grants Receivable	42,397	-	42,397
Due To/From Other Funds	(40,237)	40,237	-
Due From Other Governments	321	-	321
Prepaid Items	15,742	6,412	22,154
Restricted Cash and Cash Equivalents	11,991	220,706	232,697
Restricted Investments	-	162,500	162,500
Capital Assets:			
Land	45,597	33,007	78,604
Buildings	540,302	345,157	885,459
Improvements	136,778	-	136,778
Infrastructure	584,461	3,674,172	4,258,633
Furniture and Equipment	716,200	426,768	1,142,968
Construction in Process	-	843,547	843,547
Less Accumulated Depreciation	(1,101,880)	(2,328,606)	(3,430,486)
Capital Assets, Net of Depreciation	921,458	2,994,045	3,915,503
<u>TOTAL ASSETS</u>	<u>\$ 1,414,424</u>	<u>\$ 3,629,036</u>	<u>\$ 5,043,460</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,639	\$ 46,425	\$ 48,064
Accrued Liabilities	4,169	2,787	6,956
Current Portion of Long-Term Obligations	5,855	-	5,855
Non-Current Portion of Long-Term Obligations	4,644	-	4,644
Paid out of Restricted Assets:			
Accrued Interest Payable	1,242	1,144	2,386
Customer Deposits	-	27,875	27,875
Current Portion of Long-Term Obligations	1,753	24,917	26,670
Non-Current Portion of Long-Term Obligations	80,249	1,266,093	1,346,342
<u>TOTAL LIABILITIES</u>	<u>99,551</u>	<u>1,369,241</u>	<u>1,468,792</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	827,715	1,703,035	2,530,750
Restricted for Debt Service	11,991	359,087	371,078
Unrestricted, Unreserved	475,167	197,673	672,840
<u>TOTAL NET POSITION</u>	<u>\$ 1,314,873</u>	<u>\$ 2,259,795</u>	<u>\$ 3,574,668</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government Activities:				
General and Administrative	\$ 106,815	\$ -	\$ -	\$ 787,282
Police Protection	172,043	37,788	6,000	-
Fire Protection	51,475	1,500	3,336	-
Public Works	66,682	5,560	-	-
Sanitation	10,323	49,390	1,687	-
Culture and Recreation	4,790	-	1,500	-
Interest on Long-Term Debt	3,715	-	-	-
Total Governmental Activities	415,843	94,238	12,523	787,282
Business-Type Activities:				
Water	304,541	221,399	-	15,012
Sewer	141,507	51,985	-	-
Total Business-Type Activities	446,048	273,384	-	15,012
<u>Total Government</u>	<u>\$ 861,891</u>	<u>\$ 367,622</u>	<u>\$ 12,523</u>	<u>\$ 802,294</u>

General Revenues:

Taxes:

Property Taxes Levied for General Purposes
Franchise Taxes
Sales Taxes

Alcoholic Beverage Tax

Licenses and Permits

Interest Income

Miscellaneous

Transfers

Total General Revenues, Special Items and Transfers

Changes in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and
Changes in Net Assets
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ 680,467	\$ -	\$ 680,467
(128,255)	-	(128,255)
(46,639)	-	(46,639)
(61,122)	-	(61,122)
40,754	-	40,754
(3,290)	-	(3,290)
(3,715)	-	(3,715)
478,200	-	478,200
-	(68,130)	(68,130)
-	(89,522)	(89,522)
-	(157,652)	(157,652)
478,200	(157,652)	320,548
59,891	-	59,891
44,714	-	44,714
198,761	132,512	331,273
1,336	-	1,336
45,326	-	45,326
2,432	4,744	7,176
11,277	-	11,277
(787,282)	787,282	-
(423,545)	924,538	500,993
54,655	766,886	821,541
1,260,218	1,492,909	2,753,127
\$ 1,314,873	\$ 2,259,795	\$ 3,574,668

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

TOWN OF MARION
MARION, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 419,028	\$ 201	\$ 419,229
Investments	15,218	-	15,218
Receivables Net			
Ad Valorem Taxes	1,742	-	1,742
Sales and Use Taxes	26,563	-	26,563
Due From Other Governments			
Louisiana Beer Tax Distribution	321	-	321
Grant Receivable - LCDBG	-	42,397	42,397
Prepaid Items	15,742	-	15,742
Restricted Assets: Cash and Cash Equivalents	11,991	-	11,991
Due From Other Funds	4,140	-	4,140
<u>TOTAL ASSETS</u>	<u>\$ 494,745</u>	<u>\$ 42,598</u>	<u>\$ 537,343</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,639	\$ -	\$ 1,639
Due To Other Funds	1,980	42,397	44,377
Accrued Liabilities	4,169	-	4,169
Total Liabilities	7,788	42,397	50,185
<u>FUND BALANCES</u>			
Nonspendable	15,742	-	15,742
Restricted for Debt Service	11,991	-	11,991
Assigned	-	-	-
Unassigned	459,224	201	459,425
Total Fund Balance	486,957	201	487,158
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 494,745</u>	<u>\$ 42,598</u>	<u>\$ 537,343</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
RECONCILIATION OF GOVERNMENTAL
FUND BALANCE TO STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Governmental Fund Balances		\$ 487,158
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental Capital Assets	2,023,338	
Less: Accumulated Depreciation	<u>(1,101,880)</u>	921,458

Long-term liabilities, including bonds and notes payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated Absences	(684)	
Notes Payable - Marion State Bank	(9,815)	
Bonds Payable - Fire Station Project	(82,002)	
Accrued Interest Payable	<u>(1,242)</u>	<u>(93,743)</u>

Net Position of Governmental Activities		<u><u>\$ 1,314,873</u></u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	LCDBG Capital Projects Fund	Total
<u>Revenues</u>			
Property Taxes	\$ 59,891	\$ -	\$ 59,891
Franchise Taxes	44,714	-	44,714
Sales Taxes	198,761	-	198,761
Licenses and Permits	45,326	-	45,326
Intergovernmental	12,896	-	12,896
LCDBG	-	787,282	787,282
Sanitation Fees	49,390	-	49,390
Fines	37,788	-	37,788
Interest Income	2,432	-	2,432
Miscellaneous	19,300	-	19,300
Total Revenues	470,498	787,282	1,257,780
<u>Expenditures</u>			
General Government	102,043	-	102,043
Police Protection	164,622	-	164,622
Fire Protection	40,117	-	40,117
Public Works	48,430	-	48,430
Sanitation Department	10,323	-	10,323
Culture and Recreation	2,724	-	2,724
Debt Service:			
Principal Payments	7,483	-	7,483
Interest and Other	3,715	-	3,715
Capital Outlays	27,624	-	27,624
Total Expenditures	407,081	-	407,081
<u>Excess (Deficiency) of Revenues</u>	63,417	787,282	850,699
<u>Over Expenditures</u>			
<u>Other Financing Sources and (Uses)</u>			
Transfers In	-	201	201
Transfers Out	(201)	(787,282)	(787,483)
Total Other Financing	(201)	(787,081)	(787,282)
<u>Net Change in Fund Balance</u>	63,216	201	63,417
<u>Fund Balance - Beginning</u>	423,741	-	423,741
<u>FUND BALANCE - ENDING</u>	\$ 486,957	\$ 201	\$ 487,158

The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total		
Governmental Funds	\$	63,417

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

Government funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	27,624	
Depreciation expense	<u>(43,211)</u>	(15,587)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds.

Changed in accrued interest	26	
Change in compensated absences	<u>(684)</u>	(658)

Repayment of debt principal, including capital leases, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Payments		<u>7,483</u>
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Change in Net Position in Governmental Activities	\$	<u><u>54,655</u></u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 80,984	\$ 38,454	\$ 119,438
Accounts Receivable, Net	42,070	8,855	50,925
Investments	34,773	-	34,773
Prepaid Items	4,989	1,423	6,412
Total Current Assets	162,816	48,732	211,548
<u>Non-Current Assets</u>			
Restricted Assets:			
Water Fund - Meter Deposits	24,119	-	24,119
Water Sinking & Reserve Accounts	196,587	-	196,587
Restricted Investments Water Meter	17,468	-	17,468
Restricted Investments Water Projects	145,032	-	145,032
Total Restricted Assets	383,206	-	383,206
Capital Assets:			
Land	18,400	14,607	33,007
Construction in Process	843,547	-	843,547
Buildings	252,191	92,966	345,157
Infrastructure	2,490,316	1,183,856	3,674,172
Furniture and Equipment	370,608	56,160	426,768
Less: Accumulated Depreciation	(1,835,047)	(493,559)	(2,328,606)
Total Capital Assets	2,140,015	854,030	2,994,045
<u>TOTAL ASSETS</u>	<u>\$ 2,686,037</u>	<u>\$ 902,762</u>	<u>\$ 3,588,799</u>
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 45,229	\$ 1,196	\$ 46,425
Accrued Liabilities	2,787	-	2,787
Customer Deposits	27,875	-	27,875
Accrued Interest	1,144	-	1,144
Bonds Payable - Current Portion	24,917	-	24,917
Due To (From) Other Funds	(35,384)	(4,853)	(40,237)
Total Current Liabilities	66,568	(3,657)	62,911
<u>Long Term Liabilities</u>			
Bonds Payable - Long-Term	1,266,093	-	1,266,093
Total Liabilities	1,332,661	(3,657)	1,329,004
<u>NET POSITION</u>			
Net Investment in Capital Assets	849,005	854,030	1,703,035
Restricted for Capital Projects	359,087	-	359,087
Unrestricted	145,284	52,389	197,673
Total Net Position	\$ 1,353,376	\$ 906,419	\$ 2,259,795

The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
<u>Operating Revenues</u>			
Charges for Services	\$ 221,399	\$ 51,985	\$ 273,384
Sales Tax	66,256	66,256	132,512
Total Operating Revenues	287,655	118,241	405,896
<u>Operating Expenses</u>			
Salaries and Employee Benefits	130,167	18,831	148,998
Office Supplies	7,571	1,281	8,852
Professional Fees	3,875	3,875	7,750
Repairs and Maintenance	25,405	19,608	45,013
Vehicle Expense	4,040	3,926	7,966
Utilities and Telephone	13,149	10,682	23,831
Depreciation and Amortization	98,049	30,734	128,783
EPA Testing	-	5,365	5,365
Insurance	11,271	5,205	16,476
Miscellaneous	300	-	300
Administration Charge - Sewer	(42,000)	42,000	-
Total Operating Expenses	251,827	141,507	393,334
<u>Operating Income (Loss)</u>	35,828	(23,266)	12,562
<u>Non-Operating Revenues (Expenses)</u>			
Operating Interest	4,468	276	4,744
Interest Expense	(52,714)	-	(52,714)
Grant Income	15,012	-	15,012
Transfers In	787,282	-	787,282
Total Non-Operating Revenues (Expenses)	754,048	276	754,324
<u>Changes in Net Position</u>	789,876	(22,990)	766,886
Net Position - Beginning of the Year	563,500	929,409	1,492,909
NET POSITION - END OF THE YEAR	\$ 1,353,376	\$ 906,419	\$ 2,259,795

The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<u>Cash Flows From Operating Activities</u>			
Receipts from Customers	\$ 216,820	\$ 51,985	\$ 268,805
Payments to Supplies	(68,110)	(54,929)	(123,039)
Payments to Employees	(132,235)	(18,831)	(151,066)
Other Receipts (Payments)	65,512	65,512	131,024
Internal Activity Payments to Other Funds	42,000	(42,000)	-
Net Cash Provided by Operating Activities	123,987	1,737	125,724
<u>Cash Flows From Noncapital Financing Activities</u>			
Increase in Customer Deposits	605	-	605
Transfers from (to) other funds	787,282	-	787,282
Interfund Payable - General Fund	(20)	-	(20)
Interfund Payable - Enterprise Fund	94	(94)	-
Net Cash Provided by Noncapital Financing Activities	787,961	(94)	787,867
<u>Cash Flows From Capital and Related Financing Activities</u>			
Purchase of Capital Assets	(807,648)	(6,267)	(813,915)
Capital Grant	15,012	-	15,012
Principal Paid on Bonds	(23,920)	-	(23,920)
Payments for Interest on Long-Term Financing	(52,736)	-	(52,736)
Net Cash Provided (Used) by Capital and Related Financing Activities	(869,292)	(6,267)	(875,559)
<u>Cash Flows From Investing Activities</u>			
Interest Earned	1,221	276	1,497
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	43,877	(4,348)	39,529
Cash and Cash Equivalents at Beginning of Year	257,813	42,802	300,615
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 301,690	\$ 38,454	\$ 340,144
<u>Classified As:</u>			
Cash	\$ 80,984	\$ 38,454	\$ 119,438
Meter Deposits	24,119	-	24,119
Water Sinking and Reserve Accounts	196,587	-	196,587
<u>NET CASH AND CASH EQUIVALENTS</u>	\$ 301,690	\$ 38,454	\$ 340,144

The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Changes in Net Position	\$ 35,828	\$ (23,266)	\$ 12,562
Adjustments to Reconcile Net Losses to Net			
Cash Used by Operating Activities			
Depreciation	98,049	30,734	128,783
(Increase) Decrease in Accounts Receivable	(5,323)	(744)	(6,067)
(Increase) Decrease in Prepaid Items	(955)	282	(673)
Increase in Accounts Payable	(1,544)	(5,269)	(6,813)
Decrease in Accrued Liabilities	(2,068)	-	(2,068)
Total Adjustments	<u>88,159</u>	<u>25,003</u>	<u>113,162</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 123,987</u>	<u>\$ 1,737</u>	<u>\$ 125,724</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Introduction

The Town of Marion, Louisiana (hereafter referred to as the Town) was created under the provisions of the Lawrason Act, Louisiana Revised Statute 33:321, in 1909. Therefore, it operates under a Mayor-Board of Aldermen form of government.

The Mayor is elected for a four-year term. The five alderpersons are elected every four years at large. They are compensated for their services.

The Town provides the following services: public safety (police and fire), streets, drainage, sanitation, utilities (water and sewer), recreation, public improvements, planning and zoning and general and administrative services.

The Town is situated in the north part of Union Parish. It has a population of 765 persons. It is currently serving water and sewer customers and employs 4 full and 2 part-time persons as well as a Chief of Police. The position of Chief of Police is elected every four years.

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

The accounting and reporting policies of the Town of Marion, Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Government Units (Revised). The following is a summary of certain significant accounting policies.

B. Financial Reporting Entity

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

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, establishes criteria for determining which, if any, component units should be considered part of the Town for financial reporting purposes. GASB Statement No. 61 provides additional criteria for classifying entities as component units. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

- a. The ability of the government to impose its will on the organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.
 3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the above criteria, no component units were identified for the Town of Marion.

C. Government-Wide Financial Statements

The Town's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements present summaries of the governmental activities and the business-type activities for the Town.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town of Marion's governmental activities.

Program Revenues – Program revenues included in the Statement of Activities are derived directly from parties outside of the Town's taxpayers or citizenry, including (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants, contributions that are restricted to meeting the operational or capital requirements of a particular program; program revenues reduce the cost of the function to be financed from the Town's general revenues.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Direct Expenses – The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function.

Indirect Expense – The Town reports all indirect expenses separately on the Statement of Activities. Indirect expenses are those expenses that are not clearly identifiable with a function. Interest on long-term debt is considered an indirect expense.

General revenues are taxes and other items that are not properly included among program revenues. The effect of interfund activity has been removed from the government-wide financial statements.

D. Fund Financial Statements

The accounts of the Town of Marion are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows or resources, fund equity, revenues, expenditures or expenses, as appropriate, additions, and deductions. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Funds of the Town are classified into two categories: governmental and proprietary.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheet. Amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Long-term debts are reported as another financing resource, and repayment of long-term debt is reported as an expenditure. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decrease (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. “Measurable” means the amount of the transactions can be determined, and “available” means collectible within the current period or soon thereafter to pay liabilities for the current period. Accordingly, revenues are recorded when received in cash and when collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

The Town of Marion reports the following major governmental funds:

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

General Fund – The primary operating fund of the Town, the General Fund, accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Town policy.

Revenues

The governmental funds use the following practices in recording revenues:

Those revenues susceptible to accrual are property taxes, franchise taxes, and charges for service. Fines or permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized when qualifying expenditures have been incurred, all other grant requirements have been met, and the susceptible-to-accrual criteria have been met.

Interest earnings are recorded when the investments have matured, and the interest is available.

Expenditures

The governmental funds use the following practices in recording expenditures:

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liabilities is incurred.

Compensated absences are recognized as expenditures when leave is actually taken or when employees, or their heirs, are paid for accrued leave upon retirement or death.

Principal and interest on long-term debt are recognized when due.

Other Financing Sourced (Uses)

The governmental funds use the following practices in recording other financing sources (uses):

Transfers between funds that are not expected to be repaid, sales of fixed assets, and long-term debt proceeds and payments, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on the income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds include:

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

Revenues and Expenses

Operating revenues in the proprietary fund are those that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

E. Equity Classification

The Town of Marion has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and reported in three components:

Net Investment in Capital Assets: This classification consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted Net Position: This classification consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provision or enabling legislation.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Unrestricted Net Position: Any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

The Government Fund Financial Statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has \$15,742 of nonspendable funds in the General Fund.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has \$11,991 of restricted funds in the General Fund.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changed the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council typically establishes commitments through the adoption and amendment of the budget. The Town did not have any committed funds for the year ended December 31, 2019.

Assigned: This classification includes amounts that are constrained by the Town intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Council delegating this responsibility to a body or official (Mayor) for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town did not have any assigned funds for year ended December 31, 2019.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The Town has \$459,224 of unassigned funds in the General Fund and \$201 of unassigned funds in the Capital Projects Fund.

The Town would typically use Restricted Fund Balances first, followed by Committed Resources, and then Assigned Resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned Resources first to deter the use of these other classified funds.

F. Budgets and Budgetary Accounting

The Town adopts an annual budget for the General Fund and Enterprise Fund at their regular public meeting in December each year. The annual budget is introduced at the regular November board meeting. An ordinance is published in the Town's official journal prior to the December meeting for public comments. It is prepared in accordance with the basis of accounting utilized by that fund. Any revisions that alter the total expenditures must be approved by the Board of Alderpersons. Budget amounts shown are as originally adopted or as amended by the Board. Budget amendments are passed on an as-needed basis. The Town is legally required to prepare annual operating budgets for both the General Fund and the Enterprise Fund. The Town monitors both funds' budgets in comparison with actual results monthly.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and certificates of deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Marion may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

H. Investments

The Town of Marion's investments comply with Louisiana Revised Statute 33:2955. Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, or government-backed agency securities or certificates, and times deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value except for those which are permitted under GASB Statement No. 31 to use a different valuation measurement.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

In accordance with paragraph 69 of GASB Statement No. 72, the Town reports at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Money market investments are short- term, highly liquid debt instruments that include U. S. Treasury obligations.

I. Interfund Receivables and Payables

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

J. Inventories

Inventories of supplies in the Proprietary Fund are not material and are charged to operations as purchased.

K. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns of the government-wide financial statements, but are not reported in the governmental fund financial statements. Acquisitions of property and equipment 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 \$1,000 or more for capitalizing capital assets.

Improvements and replacement of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The estimated useful life for classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Building Improvements	40 years
Water and Sewer Systems	10-40 years
Furniture and Fixtures	7 years
Vehicles	5 years
Equipment	5 years

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

In accordance with GASB Statement No. 34, general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

L. Deferred Outflows of Resources

The Town reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town reported no deferred outflows of resources.

M. Compensated Absences

Town employees are entitled to ten days' vacation time per year for the first five years of uninterrupted full-time employment. Eighty hours are vested after three months of employment. For any new employee, vested vacation hours are prorated if the employee start day is in the last quarter of the year. After 5 years, each full-time employee receives one hundred twenty hours of vacation; after ten years, one hundred sixty hours is received. Employees may carry forward from one year to the other no more than forty hours earned vacation time. Each employee receives the entitled hours on January 1 of each year plus the unused carryforward hours. Eighty hours of sick time is accrued each year for all full-time employees. Sick time is carried forward each year with a maximum accrued sick time of four hundred hours for each employee.

Any vacation time is paid at the termination of employment, while sick time is not guaranteed. The Town also pays employees for eleven holidays, as well as a holiday for their individual birthday.

N. Deferred Inflows of Resources

The Town reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town will not recognize the related revenues until a future event occurs. The Town reported no deferred inflows of resources.

O. Interfund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the exception of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient funds and as an expenditure by the providing fund.

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other funds" or "due to other funds" on the Fund Financial Statements Balance Sheet, as well as all other outstanding balances between funds.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities' column.

P. Estimates

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

Q. Bad Debts

Uncollectible amounts for ad valorem taxes are generally not significant. The Town records ad valorem taxes on a cash basis, so no receivables are recorded until year end. Any ad valorem taxes collected within 60 days of year end are considered receivable, so bad debts are not recorded and are considered immaterial. For customers' utility receivables, the allowance method is used to account for uncollectible amounts. Under this method, an allowance account is set up for what is deemed to be uncollectible.

R. Prepaid Items

The Town purchases commercial insurance to cover their risk. Insurance companies usually require the premiums to be paid in advance of the coverage periods.

S. Long-Term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of liability on the Statement of Net Position. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

At December 31, 2019, the Town is leasing a copy machine for \$65 a month.

In August 2005, the Town borrowed \$100,000 from U.S. Department of Agriculture for the fire station project. The Town makes yearly payments due in August each year of \$5,200 each for 40 years.

In June 2011, the Town borrowed \$1,497,000 from the U. S. Department of Agriculture for the construction of two new water wells and an elevated water tank. The payments are made monthly of \$3,545 for the water projects and \$2,843 for the tank projects.

In August 2016, the Town borrowed \$28,494.60 from Marion State Bank to purchase a 2017 police vehicle. The loan is due 60 monthly payments of \$499.80 each at an interest rate of 2%.

Note 2 - Cash and Investments

Custodial Credit Risk - Deposits

The custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. 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 Town that the fiscal agent bank failed to pay deposited funds upon demand. Accordingly, the Town had no custodial risk related to its deposits at December 31, 2019.

At December 31, 2019, the Town has cash and cash equivalents and investments (book balances net of overdrafts) in the amount of \$983,554.

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principle offices in Louisiana.

At December 31, 2019, the Town has bank cash and investments totaling \$987,757, as follows:

Cash in Checking or in Savings	\$ 542,547
Certificates of Deposits (Investments)	49,991
Restricted Assets (Cash)	232,719
Restricted Assets (Investments)	162,500
Total	<u>\$ 987,757</u>

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2 - Cash and Investments (continued)

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 bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually accepted to both parties. Marion State Bank had pledged security with a face value of \$1,063,367 and a market value of \$1,101,022. Cash, cash equivalents and investments (bank balances), at December 31, 2019 are secured as follows:

Bank Balances	\$ <u>987,757</u>
Federal Deposit Insurance	250,000
Pledged Securities (Market Value)	<u>737,757</u>
	\$ <u>987,757</u>

Cash and investments are categorized to give an indication of the level of risk assumed by the Town at December 31, 2019. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institutions, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The Town of Marion has cash and cash equivalents that are covered by federal depository insurance and pledged securities.

At December 31, 2019, the Town had investments of \$212,491. These deposits are covered by pledged securities. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statue 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Town of Marion has complied with these requirements of state law.

Note 3 - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Tax notices are usually mailed during November each year and become delinquent after December 31, of the year.

For the Year Ended December 31, 2019, taxes of 7.43 mills were levied on 570 properties with assessed valuations totaling \$8,258,387 and were dedicated as follows:

General Fund	7.43 Mills
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TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 3 - Property Taxes (continued)

Total taxes levied and the corresponding assessed value for the last five years.

<u>Year</u>	<u>Taxes Levied</u>	<u>Assessed Value</u>
2019	\$ 61,360	\$ 8,258,387
2018	43,710	5,882,951
2017	42,187	5,677,934
2016	43,344	5,833,598
2015	\$ 42,533	\$ 5,724,537

Note 4 - Sales Taxes

Sales Taxes are levied by the Union Parish Sales and Use Tax Commission and allocated to the Town according to their percentage of the collections. The Town allocates 60% of the collections to the General Fund and 40% to the Enterprise Fund. The Town collects taxes on 1% of sales and purchases in the Town.

The total sales tax rate for Marion, including parish, state and city taxes is 10.45%. The Lincoln Parish Sales and Use Commission charges the Town a percentage of the collections and only remits the net of the taxes collected to the Town by direct deposit monthly. The total fees deducted from the sales tax collections is \$3,533. Interest paid to the Town is \$7. The Town records the sales tax revenue at net of these fees.

The Town is dependent on the telephone communications company that operates in the Town for a significant percentage of their collections. This company also purchases technology products which generates sales taxes to the Town, although other businesses in the Town could purchase these same products. For this reason, the exact percentage the telephone company generates for the Town's sale tax collections could not be determined.

Note 5 - Insurance Rebate

The Town receives an insurance rebate to cover the fire protection in the Town. The amount received during 2019 is \$3,336.

Note 6 - Receivables

A summary of receivables as of December 31, 2019 is as follows:

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 6 – Receivables (continued)

General Fund

Property Taxes	\$ 1,742
Sales Taxes	26,563
Receivable - General Fund	28,305
Beer Taxes Due From State of Louisiana	321
Total General Fund	28,626

Enterprise Fund Water/Sewerage

Trade Accounts	36,712
NSF Checks	303
Allowance for Doubtful Accounts	(3,800)
Total Trade Accounts	33,215
Sales Taxes	17,710
Total Enterprise Fund Water/Sewerage	50,925

Total All Funds	<u>\$ 79,551</u>
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In prior years the former Town Clerk stole property from the Town of Marion. She was ordered by the court to pay the town back. She paid the Town \$100 in 2017. The balance owed to the Town at the end of the year is \$43,600. The Town does not consider this amount to be collectible at the present payment rate, therefore, the balance has not been included in the balance sheet of the General Fund.

Note 7 - Water & Sewer Statistics

Monthly Rates for Services are as follows:

<u>Monthly Rates for Services</u>	<u>Residential</u>	<u>Commercial</u>
	<u>Rates</u>	<u>Rates</u>
<u>Water Rates:</u>		
0 - 2,000 Gallons	\$ 30.00	
Over 2000 Gallons	\$4/1,000 Gal.	
0 - 10,000 Gallons		\$ 40.00
Over 10,000 Gallons		4/1,000 Gal.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 7 - Water & Sewer Statistics (continued)

Sewer Rates:

0 - 2,000 Gallons of Water Used	\$ 10.00	\$ 10.00
All Customers Over 2,000 Gallons	\$1/1,000 Gal.	\$1/1,000 Gal.

Garbage Rates:

Regular Customers	\$ 10.00	\$ 10.00
Century Data		\$350 Flat
Century Services		\$150 Flat
CenturyTel of LA		\$50 Flat

Sprinkler Meters	No Charge
Out of Town Meters	No Charge

Water Meter Tap	\$ 250.00	\$ 250.00
Sewer Installation	\$ 250.00	\$ 300.00

Water Meter Deposit:

Homeowners	\$ 100.00
Renters	\$ 150.00

Late charges are charged at 5% of the total monthly bill. Reconnection charges are \$25 per incident. However, some tapping fees are based on the cost of the work performed and the charge therefore will vary from one installation to another. Utility deposits are \$100 per water meter for residential and \$150 for renters.

Note 8 - Restricted Assets

Water/Sewer

Utility Meter Funds - The Town charges a utility deposit for their water customers. These funds are held in cash and investments and are returned to their customers at the termination of utility services after all bills are paid in full.

Water Revenue Bond Series 2011 - The Town is required in the agreement with the USDA Water Revenue Bonds, Series 2011 to fund monthly several cash accounts. Starting on July 20, 2011 and ending June 2051, the Town is required to fund a sinking fund in the monthly amounts of \$6,388. A sum of \$320 per month must be deposited into the Reserve Fund until \$76,656 had been accumulated therein. A sum of \$788 must be deposited monthly into the Short-lived Asset Fund until \$248,000 is on deposit in said Fund. A sum of \$320 per month must be deposited into the contingency fund which sum shall increase to \$767 per month once \$76,656 has been accumulated in the Reserve Fund. All required deposits were made in 2019.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 8 - Restricted Assets (continued)

General Fund/Fire Department Building

Public Improvement Bonds, Series 2005 – According to the Bond agreement, the Town set up two funds.

Reserve Fund – The Town must make monthly deposits of \$35 a month to a reserve fund commencing with the month following the completion of and acceptance of the improvements financed with the proceeds of the Bonds. A sum of \$44 per month must be deposited into the Reserve Fund until \$5,200 has been accumulated therein. The Town set up three reserve funds with a carrying balance totaling \$9,296.

Sinking Fund – The Town created a sinking fund to reserve each year's bond payments. The amount of the monthly deposit is \$433 with the last payment due on July 20, 2045. As of the year end, the sinking fund has a \$2,695 balance.

Project Checking Account – During 2011, the Town set up a checking account to be used for capital projects with a balance of \$200. The Town is holding this account open for any future projects. The account is part of the general fund, however, as projects are funded, the cash may be used for other fund's projects as needed. From time to time, the use of the assets in this account may become restricted by agreements with third parties.

These assets consist of cash and investments:

General Fund

Fire Bond Sinking Fund Savings	\$ 2,695
Fire Bond Reserve Fund Savings	2,377
Fire Bond Depreciation Fund Savings	3,459
Fire Bond Contingency Fund Savings	3,460
Total Cash and Investments	<u>11,991</u>

Enterprise Fund

Customers' Deposits on Meters Checking	24,119
Customers' Deposits on Meters CD	17,468
Water Operation & Maintenance CD	24,314
CF Elevated Tank Debt Service Reserve CD	3,885
Water Contingency Fund Savings	32,111
Water Debt Service Reserve Savings	32,111
Water Sinking Fund Savings	61,704
Water Depreciation Short Lived Assets Savings	70,661
Water Depreciation Short Lived Assets CD	116,833
Total Cash and Investments	<u>\$ 383,206</u>

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 9 - Capital Assets

Capital Asset Activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 45,597	\$ -	\$ -	\$ 45,597
Depreciable Assets				
Buildings	540,302	-	-	540,302
Improvements	136,778	-	-	136,778
Equipment and Vehicles	688,575	27,624	-	716,199
Infrastructure	584,459	-	-	584,459
Totals at Historical Cost	1,995,711	27,624	-	2,023,335
Less Accumulated Depreciation:				
Buildings	(199,117)	(13,266)	-	(212,383)
Improvements	(115,394)	(1,711)	-	(117,105)
Furniture and Equipment	(646,784)	(13,591)	-	(660,375)
Infrastructure	(97,371)	(14,643)	-	(112,014)
Total Accumulated Depreciation	(1,058,666)	(43,211)	-	(1,101,877)
<u>Governmental Activities</u>				
<u>Capital Assets Net</u>	\$ 937,045	\$ (15,587)	\$ -	\$ 921,458
<u>Business-Type Activities</u>				
Non-Depreciable Assets:				
Land	\$ 33,007	\$ -	\$ -	\$ 33,007
Construction in Process	42,165	801,382	-	843,547
Depreciable Assets				
Buildings	345,157	-	-	345,157
Water System	2,490,316	-	-	2,490,316
Sewer System	1,183,856	-	-	1,183,856
Furniture and Equipment	414,234	-	-	426,768
Totals at Historical Cost	4,508,735	813,916	-	5,322,651
Less: Accumulated Depreciation:				
Buildings	(92,786)	(14,082)	-	(106,868)
Water System	(1,391,107)	(65,068)	-	(1,456,175)
Sewer System	(408,405)	(28,495)	-	(436,900)
Furniture and Equipment	(307,525)	(21,138)	-	(328,663)
Total Accumulated Depreciation	(2,199,823)	(128,783)	-	(2,328,606)
<u>Business-Type Activities</u>				
<u>Capital Assets Net</u>	\$2,308,912	\$685,133	\$ -	\$ 2,994,045

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 10 - Pension Plans

In 2001, the Town setup a Simple IRA plan for all employees including the Mayor and the Chief of Police. This plan can be set up by an employer, who has 100 or fewer employees who receive at least \$5,000 in compensation from the employer in any of the two preceding calendar years and who meets certain other requirements. Under a SIMPLE plan employee can choose to make salary reduction contributions rather than receiving these amounts as a part of their regular pay. Salary reduction contributions have to be paid 30 days after the end of the month for which contributions are to be made. Salary reductions can be up to \$13,000 for each employee for the year 2019. The accounts are vested as soon as received by the brokerage firm and belong to the individual. The employer matches either dollar for dollar contribution up to 3% of the employees' compensation or a fixed non-elective contribution of 2% of compensation. The Town matches dollar for dollar up to 3% of the employee's compensation. The Town's portion of the contributions to the plan is \$5,738 for 2019. All contributions were funded by January 2020.

Note 11 - Accounts and Other Payables

The following is a summary of payables at December 31, 2019:

<u>Class of Payable</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Accounts	\$ 1,639	\$46,425	\$ 47,316
Withholding and Payroll Accruals	4,169	2,787	6,956
Customer Deposits	-	27,875	27,875
Total Current Payables	<u>\$ 5,808</u>	<u>\$ 76,339</u>	<u>\$ 82,147</u>

Note 12 - Notes and Capital Leases

Notes payable and capital leases at December 31, 2019 are comprised of the following:

Public Improvement Bonds, Series 2004

The U.S. Department of Agriculture loaned the Town \$100,000 in bonds that were sold on August 18, 2005 to build a new fire department building. Annual payments of \$5,200 are due on August 18 of each year until 2045 at an annual interest rate of 4.125%. Interest paid in 2019 equaled \$3,455. The bond balance owed at year end is \$82,002. A schedule of annual payments are listed below:

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 12 - Notes and Capital Leases (continued)

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 3,447	\$ 1,753	\$ 5,200
2021	3,374	1,826	5,200
2022	3,297	1,903	5,200
2023	3,217	1,983	5,200
2024	3,133	2,067	5,200
2025-2029	14,289	11,711	26,000
2030-2034	11,611	14,389	26,000
2035-2039	8,321	17,679	26,000
2040-2044	4,280	21,720	26,000
2045-2049	293	6,970	7,263
Total	<u>\$ 55,261</u>	<u>\$ 82,002</u>	<u>\$ 137,263</u>

Marion State Bank Automobile Loan

In 2016, the Town borrowed money to purchase a police vehicle from a local dealership for \$28,495. The loan of the same amount has an interest rate of 2% and is payable in 60 monthly installments of \$500. The interest paid in 2019 was \$260.

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	143	5,855	5,998
2021	29	3,959	3,988
Total	<u>\$ 172</u>	<u>\$ 9,815</u>	<u>\$ 9,987</u>

Water Revenue Bonds Series 2011

Bond R-1

USDA Financing Water System Improvements - Wells and Distribution System

In June 2011, the USDA loaned the Town \$871,000 in bonds that were sold at that time. The bonds used to pay a Community Reach Interim financing loan of \$120,000 with an interest rate of 4% that was used to finance a test well as part of the water wells and distribution piping construction project. This financing also paid off an interest free loan from the Louisiana Public Financing in the amount of \$30,000. This loan is also part of the water well test hold project. The rest of the financing is to be used to complete the construction of two water wells and additional lines. This project was completed in 2012.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 12 - Notes and Capital Leases (continued)

This note is payable over 40 years, with the first payment of interest only of \$21,953. Commencing July 23, 2012 and on the 23rd day of each month thereafter through June 23, 2051, payments shall consist of equal, fully amortized monthly installments of principal and interest of \$3,545. Each payment shall be applied, first, to the payment of accrued interest and, second, to the payment of principal. The interest rate is 3.75% per annum. A schedule of the annual payments is listed below:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	29,235	13,305	42,540
2021	28,727	13,813	42,540
2022	28,200	14,340	42,540
2023	27,653	14,887	42,540
2024	27,085	15,455	42,540
2025-2029	126,118	86,582	212,700
2030-2034	108,293	104,407	212,700
2035-2039	86,798	125,902	212,700
2040-2044	60,877	151,823	212,700
2045-2049	29,621	183,079	212,700
2050-2051	1,861	62,057	63,918
Total	<u>\$ 554,469</u>	<u>\$ 785,650</u>	<u>\$ 1,340,119</u>

Bond R-2

USDA Financing Water System Improvements – Water Elevated Tank

With a principal amount of \$626,000, bearing interest at the rate of 4.5% per annum this loan is due each month after June 23, 2012 in the amount of \$2,843 each for 40 years. The last payment is due June 23, 2051. This loan is used to finance the construction of a new elevated water tank. This project was completed in 2012 totaling \$481,159. The interest paid in 2018 is \$23,500. The outstanding loan balance based on information from the USDA at December 31, 2018 is \$505,360.

The Town drew additional funds from this loan new fire hydrants and installation of 6" lines on Thomas and Taylor streets of \$97,000. The Town received the unpaid advance from the USDA of \$47,841 in January 2014. This money was used to pay the outstanding balance owed to Riley Engineers and Peck Construction for a total of \$8,159. The Town did not use the rest of the money and sent the balance left on the advance, plus the interest earned on the checking account, and the balance left in the checking account at December 31, 2013 back to the USDA. This amount totaled \$43,516. The USDA applied this amount against the loan balance.

The original loan ends in 2051. With the reduction of the amount borrowed, the loan should end in 2044. We did not find any adjusted paperwork on the loan to reflect this change.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 12 - Notes and Capital Leases (continued)

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	22,504	11,612	34,116
2021	21,970	12,146	34,116
2022	21,412	12,704	34,116
2023	20,829	13,287	34,116
2024	20,218	13,898	170,576
2025-2029	90,907	79,673	170,580
2030-2034	70,845	99,735	170,580
2035-2039	45,732	124,848	170,580
2040-2044	14,488	137,457	15,487
Total	<u>\$ 328,905</u>	<u>\$ 505,360</u>	<u>\$ 834,265</u>

Note 13 - Interfund Balances and Transfers

The Water Department collects and bill garbage and sewer fees. Garbage revenue is revenue of the General Fund, while the sewer revenue is revenue of that fund. At December 31, 2019 the Water Department owed the General Fund \$4,140 in garbage fees.

The payroll for the Enterprise fund is paid out of the Water fund. The Sewer fund is charged fees each month for overhead paid by the Water fund. The total of these charges is \$42,000.

Note 14 - Receivables and Payables

Interfund receivables and payable consisted of the following at December 31, 2019.

Due To General Fund from the Enterprise Fund:

Garbage Revenue \$ 4,140

Due From General Fund to Enterprise Fund:

Miscellaneous Transfers (1,980)

Sales Taxes -

Total \$ 2,160

Summary of balances due from other funds reported in fund financial statements:

Due From Other Funds, Balance Sheet (Net) – Governmental Funds \$ 2,160

Due To Other Funds, Statement of Net Assets – Proprietary Funds (2,160)

Total \$ -

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments funds are made. All interfund receivables and payables were paid in 2020.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 15 - On-Behalf Payments

Certain Town employees in the Town's police department receive supplemental pay from the State of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement total \$6,000.

Note 16 - Grants

During the year ended December 31, 2019, the Town of Marion received grant funds from the Louisiana Community Development Block Grant of \$787,282 for water system improvements. The project is in-progress as of the end of the audit period.

Note 17 - Litigation and Claim

At December 31, 2019, the Town was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance.

Note 18 - Risk Management

The Town is exposed to various risk of loss in the areas of health care, general and auto liability, property hazards, and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

Note 19 - Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through July 10, 2020, the date the financial statements were available to be issued.

On March 13, 2020, the President of the United States declared the COVID-19 outbreak to be a national emergency. The Town evaluated the effects of the outbreak and ensuing economic repercussions. As of the report date, the Town has not identified any material effects to the financial statements but was unable to determine what, if any, effects there will be on future operations.

Note 20 - Other

The Marion Volunteer Fire Department covers the Marion Fire District of Union Parish, with the majority of the fire district being in the rural area. The fire department is divided by two different entities. The major equipment and the buildings are owned by the Town. The volunteer fire fighters are members of a non-profit corporation. The members of the non-profit corporation run the fire department for the Town.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 20 - Other (continued)

Expenditures of the fire department that are related to the equipment and buildings are paid by the Town. These expenditures of the fire department are funded by an annual fire insurance rebate, which is included in the transactions of the General Fund. According to the Mayor, the purpose of the non-profit corporation is to provide equipment and other support to the Town's fire department. The non-profits revenue is received from interest, dues, donations, and gross proceeds from the Marion Mayhaw Festival. The Town pays some expenses related to the Mayhaw Festival; however, these expenses are limited to advertisements, sanitation, music and security charges. The Town also pays for some of the educational and insurance charges related to the members. The transactions of the Marion Volunteer Fire Department's separate cash accounts were not audited or reviewed other than those transactions covered by the General Fund financial statements. The Town's Mayor is also the volunteer fire chief. It has been determined that the non-profit corporation is not a component unit of the Town.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)
BUDGETARY COMPARISON SCHEDULES

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

				<u>Schedule 1</u>
	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>
				<u>(Negative)</u>
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR	\$ 425,405	\$ 423,741	\$ 423,741	\$ -
Resources				
Property Taxes	40,000	40,000	59,891	19,891
Franchise Taxes	46,000	44,515	44,714	199
Sales Taxes	145,000	198,000	198,761	761
Licenses and Permits	41,600	45,625	45,326	(299)
Intergovernmental	6,960	6,960	12,896	5,936
Sanitation Fees	49,600	49,400	49,390	(10)
Fines	18,500	33,200	37,788	4,588
Interest Income	1,600	1,900	2,432	532
Miscellaneous	11,300	12,041	19,300	7,259
Total Resources	<u>360,560</u>	<u>431,641</u>	<u>470,498</u>	<u>38,857</u>
Amounts available for appropriations	<u>785,965</u>	<u>855,382</u>	<u>894,239</u>	<u>38,857</u>
Charges to appropriations				
Current				
General government	98,650	99,950	102,043	(2,093)
Police Protection	149,235	160,825	164,622	(3,797)
Fire Protection	29,194	52,800	40,117	12,683
Public works	40,700	73,865	48,430	25,435
Sanitation Department	9,275	10,420	10,323	97
Culture and Recreation	1,540	4,100	2,724	1,376
Debt Service	-	-	11,198	(11,198)
Capital Outlay	-	-	27,624	(27,624)
Transfers to Other Funds	-	-	210	
Total Charges to appropriations	<u>328,594</u>	<u>401,960</u>	<u>407,081</u>	<u>(5,121)</u>
BUDGETARY FUND BALANCE				
END OF YEAR	<u>\$ 457,371</u>	<u>\$ 453,422</u>	<u>\$ 487,158</u>	<u>\$ 33,736</u>

See accompanying notes and auditor's report.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Note: General Budget Practices

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each year. A proposed budget ordinance is published in the Town's official journal several weeks before the scheduled meeting to finalize the budgets. After budgets are published for public inspection, the budgets are adopted through the passage of the ordinance at the Towns December board meeting.

The operating budget is prepared on a basis used by the Town which is basically a cash basis. The Town prepares annual budgets for the general and enterprise funds. Budget amendments are approved by the Town Council and are also approved by ordinance.

All budgetary appropriations lapse at the end of each year.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO THE ELECTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2019

Alderman Jeffery Kirkland	\$	1,200
Alderwoman Lindsey Redd		1,200
Alderman Eugene Hoggatt		1,200
Alderman Mark Andrews		1,200
Alderman Rhonda Davis		1,200
Police Chief Mark Dodd		44,934
Mayor Danny Smith	\$	6,000

See accompanying notes and auditor's report.

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS
AND UNIFORM GUIDANCE



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Board of Aldermen of
Marion, Louisiana

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, and each major fund of the Town of Marion, Louisiana (the Town) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 10, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town'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's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town'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. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-01 that I consider to be a significant deficiency.



Honorable Mayor and Board of Aldermen of
Marion, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 Standards*.

Town of Marion, Louisiana Response to Findings

The Town's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of the 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 Town'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Maxwell CPA, LLC

Monroe, Louisiana
July 10, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Honorable Mayor and Board of Aldermen of
Marion, Louisiana

Report on Compliance for Each Major Federal Program

I have audited Town of Marion, Louisiana's (the Town) 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's major federal programs for the year ended December 31, 2019. The Town'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 the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Town's major federal programs based on my 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's compliance with those requirements and performing such other procedures as I consider 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's compliance.

Opinion on Each Major Federal Program

In my opinion, the Town 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 December 31, 2019.



Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing my audit of compliance, I considered the Town'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'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 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 the 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.

Maxwell CPA, LLC
Monroe, Louisiana
July 10, 2020

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic government financial statements of the Town of Marion, Louisiana.
2. One significant deficiency was disclosed as finding 2019-01 during the audit of the financial statements as reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit Of Financial Statements performed In Accordance With *Government Auditing Standards* and the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
3. No instances of noncompliance material to the financial statements of the Town of Marion, Louisiana, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs in the Report On Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Program And On Internal Control Over Compliance In Accordance With Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Uniform Guidelines Requirements for Federal Awards.
5. The auditors' report on compliance for the major federal award programs for the Town of Marion, Louisiana expressed an unmodified opinion on the major federal program.
6. There were no audit findings relative to the major federal award programs for the Town of Marion, Louisiana.
7. The program tested as a major program was the Community Development Block Grants/ State's Program, CFDA No. 14.228.
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. The Town of Marion, Louisiana does not qualify to be a low-risk auditee.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019 (continued)

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings that relate to the major federal programs.

FINDINGS – FINANCIAL STATEMENT AUDIT

2019-01 Segregation of Duties

Criteria

Good internal control procedures require that an entity separate certain duties by personnel.

Condition

Due to the small number of administrative personnel, the Town did not have adequate segregation of duties.

Cause

The Town cannot afford to hire enough people to separate duties.

Effect

The Town could be susceptible to misuse of its assets or fraud.

Recommendation

The Mayor and/or someone on the Town Council should review bank reconciliations and bank statements each month.

Name of Contact Person

Danny Smith, Mayor

Corrective Action Planned/Management's Response

The Town feels that the cost of hiring more staff far exceeds its benefits.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Grants/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass - Through Number</u>	<u>Expenditures</u>
Other Programs			
Department of Housing and Urban Development Community Development Block Grants/ State Program	14.228	Louisiana Office * of Community Development	\$ 787,282

*Denotes Major Federal Assistance Program.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Marion, Louisiana. The Town of Marion, Louisiana reporting entity is defined in Note 1 to the City's financial statements. All federal award programs received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. Federal Indirect Cost Rate

The Town of Marion, Louisiana did not elect to use the 10% de minimis federal indirect cost rate for the year ended December 31, 2019.

TOWN OF MARION
MARION, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-01 General Accounting

Condition

Management does not have sufficient capable expertise to prepare financial statements and related footnote disclosures.

Recommendation

No action is recommended.

Current Status

Finding is cleared.

2018-02 Segregation of Duties

Condition

Due to the small number of administrative personnel, the Town did not have adequate segregation of duties.

Recommendation

The Mayor and/or someone on the Town Council should review bank reconciliations and bank statements each month.

Current Status

Finding is repeated as 2019-01.

2018-03 Compliance with Annual Filing Deadline

Condition

The Town did not timely file its annual reports for the year ending December 31, 2018.

Recommendation

The audit should begin no later than May 1 in the future.

Current Status

Finding is cleared.

2018-04 Security for Deposits held at Financial Institutions

Condition

The market values of the pledged securities plus \$250,000 of FDIC insurance was less than the bank balances at December 31, 2018.

Recommendation

The Town should be aware of the large amounts of revenues that come in at certain times of the year and make sure there is adequate coverage on the deposits.

TOWN OF MARION
MARION, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019 (continued)

2018-04 Security for Deposits held at Financial Institutions (continued)

Current Status

Finding is cleared.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency Head
 Danny Smith, Mayor

Salary	\$	6,000
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Benefits

Benefits - Retirement	-	
Benefits - Insurance	-	
Car Allowance	-	
Travel	552	
Reimbursements	170	
Total Benefits	<hr/>	<hr/> 722

Total	\$	<hr/> <hr/> 6,722
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See accompanying notes and auditor's report.



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Town of Marion, Louisiana and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Town of Marion, Louisiana (Town) 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 January 1, 2019 through December 31, 2019. The Town'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, I 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 Town's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Town's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
Findings: The Town does not have a written budget policy for the period under review.
 - 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.
Findings: The Town does not have a written policy on how vendors are added to the vendor list.
 - c) ***Disbursements***, including processing, reviewing, and approving
Findings: All areas are addressed in their current policy.
 - 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).



Findings: The Town does not have a current written policy for receipts.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Findings: The Town has a written policy for leave and overtime but does not have a written policy on other areas of payroll.

- 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

Findings: The Town does not have a written policy for contracting. Contracts are mentioned in the Town's purchasing policy but that document does not address the above areas.

- 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)

Findings: No exceptions noted.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Findings: No exceptions noted.

- i) **Ethics¹**, 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 Town's ethics policy.

Findings: No exceptions noted.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: The Town does not have a written debt service policy.

Collections

- 2. Obtain a listing of deposit sites² for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Findings: I obtained a list from the Town and their representation that the listing is complete.

- 3. For each deposit site selected, obtain a listing of collection locations³ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

¹ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

² A deposit site is a physical location where a deposit is prepared and reconciled.

³ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

Findings: *Due to the small staff there is only one cash register at the Town.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Findings: *There is little separation of duties because of the limited staff. The clerk that collects receipts also takes the deposit to the bank and posts payments to the separate subsidiary ledgers.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Findings: *The clerk that collects receipts also posts payments to the separate subsidiary ledgers but does not post the deposits to the general ledger nor does she reconcile the bank accounts.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings: *The Town only has 2 employees in this department so these procedures are not segregated.*

- 5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Findings: *No exceptions noted.*

- 6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)⁴. Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Findings: *No exceptions noted.*

⁴ If "bank reconciliations" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Findings: I obtained the listing and management's representation.

8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Findings: No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Findings: No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Findings: The Town's policy does not prohibit this procedure.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings: The Town's policy does not prohibit this procedure.

9. For each location selected under #7 above, obtain the Town's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

Findings: No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Findings: I obtained the listing and management's representation.

11. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Findings: No exceptions noted.

12. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Findings: No exceptions noted.

Other

13. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Church reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Church is domiciled.

Findings: The Town officials did not acknowledge any misappropriations of public funds or assets during this period.

14. Observe that the Town has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.⁵

Findings: One exception noted where the Town did not have the notice posted on its website.

Management's Response

Management of the Town of Marion concurs with the exceptions and is working to address the deficiencies identified.

I was 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 control and compliance areas identified in the Statewide Agreed-Upon Procedures, and the result of that testing, and not to provide an opinion on control and compliance. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

⁵ This notice is available for download or print at www.la.gov/hotline.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, 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.

Maxwell CPA, LLC

Monroe, Louisiana

July 10, 2020