

TOWN OF MARION
MARION, LOUISIANA

Financial Report
For the Year Ended December 31, 2018



TOWN OF MARION
MARION, LOUISIANA
FOR THE YEAR ENDED DECEMBER 31, 2018

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TOWN OF MARION
MARION, LOUISIANA
FOR THE YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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 41, 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.

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.

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

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 3, 2019, 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 3, 2019

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

TOWN OF MARION, LOUISIANA

Management's Discussion and Analysis **Year Ended December 31, 2018**

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, 2018. 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 2017 and it was amended December 2018.

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 19-40.

**Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2018**

Government-Wide Financial Analysis

Overall, the Town's financial position and results of its operation did not improve in 2018. The largest percentage of the total assets (77%) is the Town's investment in net capital assets. The Town has outstanding debt of \$1,414,230 which was used to finance some of the \$3,245,957 capital assets. (For more detailed information on the Town's debt and capital assets, see pages 33-37.) The total liabilities of \$1,484,814 are 54% of the total net position.

The following table reflects the condensed statement of net position at December 31, 2018.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>2018 Total</u> | <u>2017 Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------|-----------------------|
| <u>Assets</u> | | | | |
| Current Assets | \$ 421,175 | \$ 197,489 | \$ 618,664 | \$ 622,274 |
| Restricted Assets | 11,251 | 362,069 | 373,320 | 352,954 |
| Capital Assets Net of Accumulated Depreciation | 937,045 | 2,308,912 | 3,245,957 | 3,388,492 |
| Total Assets | 1,369,471 | 2,868,470 | 4,237,941 | 4,363,720 |
| <u>Liabilities</u> | | | | |
| Current Liabilities | 17,371 | 84,550 | 101,921 | 82,556 |
| Non-Current Liabilities | 91,882 | 1,291,011 | 1,382,893 | 1,414,228 |
| Total Liabilities | 109,253 | 1,375,561 | 1,484,814 | 1,496,784 |
| <u>Net Position</u> | | | | |
| Investment in Capital Assets | 836,477 | 992,816 | 1,829,293 | 1,941,525 |
| Restricted for Debt Service | 11,051 | 338,623 | 349,674 | 329,647 |
| Unrestricted | 412,690 | 161,470 | 574,160 | 595,764 |
| Total Net Position | \$ 1,260,218 | \$ 1,492,909 | \$ 2,753,127 | \$ 2,866,936 |

The Town's governmental activities decreased the net position by \$6,972. The total business-type activities decreased the Town's net position by \$106,837. Below is a summary of the statement of activities.

**Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2018**

| | Governmental Activities | Business-Type Activities | 2018 Total | 2017 Total |
|--|----------------------------|-----------------------------|---------------------|---------------------|
| <u>Revenues</u> | | | | |
| Program Revenues | \$ 82,319 | \$ 267,777 | \$ 350,096 | \$ 339,848 |
| General Revenues | 267,539 | 85,216 | 352,755 | 437,398 |
| Total Revenues | 349,858 | 352,993 | 702,851 | 777,246 |
| <u>Expenses</u> | | | | |
| General and Administrative | 99,875 | - | 99,875 | 97,677 |
| Police Protection | 147,593 | - | 147,593 | 150,121 |
| Fire Protection | 29,171 | - | 29,171 | 27,765 |
| Public Works | 64,203 | - | 64,203 | 71,188 |
| Sanitation | 9,002 | - | 9,002 | 9,323 |
| Culture and Recreation | 3,109 | - | 3,109 | 3,777 |
| Water & Sewer | - | 459,830 | 459,830 | 449,727 |
| Interest on Long-Term Debt | 3,877 | - | 3,877 | 4,056 |
| Total Expenses | 356,830 | 459,830 | 816,660 | 813,634 |
| Decrease in Net Position | (6,972) | (106,837) | (113,809) | (36,388) |
| <u>Net Position - January 1, 2018</u> | 1,267,190 | 1,599,746 | 2,866,936 | 2,903,324 |
| <u>Net Position - December 31, 2018</u> | <u>\$ 1,260,218</u> | <u>\$ 1,492,909</u> | <u>\$ 2,753,127</u> | <u>\$ 2,866,936</u> |

Program Revenues are broken down as follows:

| <u>Program Revenues</u> | <u>Total</u> | <u>% of Program Revenues</u> |
|--------------------------------|---------------------|---|
| Public Safety - Charges | \$ 16,153 | 5% |
| Public Safety - Grants | 9,374 | 3% |
| Public Works - Charges | 5,560 | 2% |
| Sanitation | 51,232 | 15% |
| Water - Charges | 200,008 | 57% |
| Water - Grants | 16,500 | 5% |
| Sewer - Charges | 51,269 | 15% |
| Total Program Revenues | \$ 350,096 | |

**Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2018**

General Revenues consist of the following:

| <u>General Revenues</u> | <u>Total</u> | <u>% of General Revenues</u> |
|-------------------------|--------------|------------------------------|
| Property Taxes | \$ 43,258 | 12% |
| Sales Taxes | 204,732 | 58% |
| Franchise Taxes | 45,932 | 13% |
| Alcoholic Beverage Tax | 1,299 | 0% |
| Licenses & Permits | 44,341 | 13% |
| Interest Income | 5,314 | 2% |
| Miscellaneous | 7,879 | 2% |
| Total General Revenues | \$ 352,755 | |

Financial Analysis of the Government's Funds

The Town of Marion's governmental funds reported an ending fund balance of \$423,741 which is an increase of \$28,168. The Town's proprietary fund shows an ending net position of \$1,492,909, which is a decrease of \$106,837.

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 \$3,179. Revenues were \$5,096 less on the amended budget than the original budget.

Capital Assets and Debt Administration

The total investment in net capital assets as of December 31, 2018 is \$3,245,957. New major capital asset addition in 2018 were costs to begin the improvements to the water tanks.

In 2018, the Town paid the USDA for loans in the general fund and water fund totaling \$81,856, which included \$57,218 in interest and \$24,638 in principal, which left an unpaid principal balance of \$1,398,677.

The Town paid \$5,988 on the loan with Marion State Bank, which was \$5,618 in principal and \$370 in interest. The balance on this loan was \$15,553 at December 31, 2018.

Current Financial Factors

Sales tax collected through May 2019 is up 114% when compared to the same period in 2018.

There is a slight increase in water sales through May 2019 when compared to the same period in 2018.

**Town of Marion, Louisiana
Management's Discussion and Analysis
December 31, 2018**

Construction Projects

The Town is under an administrative order to improve water quality throughout the system. The Town received funding of \$897,700 from LCDBG in 2018. 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.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 362,418 | \$ 98,402 | \$ 460,820 |
| Investments | 14,880 | 34,171 | 49,051 |
| Receivables Net | 27,085 | 44,858 | 71,943 |
| Grants Receivable | - | 16,500 | 16,500 |
| Due To/From Other Funds | 2,180 | (2,180) | - |
| Due From Other Governments | 346 | - | 346 |
| Prepaid Items | 14,266 | 5,738 | 20,004 |
| Restricted Cash and Cash Equivalents | 11,251 | 202,213 | 213,464 |
| Restricted Investments | - | 159,856 | 159,856 |
| Capital Assets: | | | |
| Land | 45,597 | 33,007 | 78,604 |
| Buildings | 540,302 | 345,157 | 885,459 |
| Improvements | 136,778 | - | 136,778 |
| Infrastructure | 584,459 | 3,674,172 | 4,258,631 |
| Furniture and Equipment | 688,575 | 414,234 | 1,102,809 |
| Construction in Process | - | 42,165 | 42,165 |
| Less Accumulated Depreciation | <u>(1,058,666)</u> | <u>(2,199,823)</u> | <u>(3,258,489)</u> |
| Capital Assets, Net of Depreciation | <u>937,045</u> | <u>2,308,912</u> | <u>3,245,957</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 1,369,471</u> | <u>\$ 2,868,470</u> | <u>\$ 4,237,941</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 6,409 | \$ 27,340 | \$ 33,749 |
| Accrued Liabilities | 2,276 | 4,855 | 7,131 |
| Current Portion of Long-Term Obligations | 5,739 | - | 5,739 |
| Non-Current Portion of Long-Term Obligations | 9,814 | - | 9,814 |
| Paid out of Restricted Assets: | | | |
| Accrued Interest Payable | 1,268 | 1,166 | 2,434 |
| Customer Deposits | - | 27,270 | 27,270 |
| Current Portion of Long-Term Obligations | 1,679 | 23,919 | 25,598 |
| Non-Current Portion of Long-Term Obligations | <u>82,068</u> | <u>1,291,011</u> | <u>1,373,079</u> |
| <u>TOTAL LIABILITIES</u> | 109,253 | 1,375,561 | 1,484,814 |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 836,477 | 992,816 | 1,829,293 |
| Restricted for Debt Service | 11,051 | 338,623 | 349,674 |
| Unrestricted, Unreserved | <u>412,690</u> | <u>161,470</u> | <u>574,160</u> |
| <u>TOTAL NET POSITION</u> | <u>\$ 1,260,218</u> | <u>\$ 1,492,909</u> | <u>\$ 2,753,127</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, 2018

| Function/Program Activities | <u>Program Revenues</u> | | | |
|---------------------------------------|-------------------------|-----------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Government Activities: | | | | |
| General and Administrative | \$ 99,875 | \$ - | \$ - | \$ - |
| Police Protection | 147,593 | 14,653 | 6,000 | - |
| Fire Protection | 29,171 | 1,500 | 3,374 | - |
| Public Works | 64,203 | 5,560 | - | - |
| Sanitation | 9,002 | 49,545 | 1,687 | - |
| Culture and Recreation | 3,109 | - | - | - |
| Interest on Long-Term Debt | 3,877 | - | - | - |
| Total Governmental Activities | <u>356,830</u> | <u>71,258</u> | <u>11,061</u> | <u>-</u> |
| Business-Type Activities: | | | | |
| Water | 318,435 | 200,008 | - | 16,500 |
| Sewer | 141,395 | 51,269 | - | - |
| Total Business-Type Activities | <u>459,830</u> | <u>251,277</u> | <u>-</u> | <u>16,500</u> |
| <u>Total Government</u> | <u>\$ 816,660</u> | <u>\$ 322,535</u> | <u>\$ 11,061</u> | <u>\$ 16,500</u> |

General Revenues:

Taxes:

 Property Taxes Levied for General Purposes

 Franchise Taxes

 Sales Taxes

Alcoholic Beverage Tax

Licenses and Permits

Interest Income

Miscellaneous

Tower Rent

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 |
|----------------------------|-----------------------------|---------------------|
| \$ (99,875) | \$ - | \$ (99,875) |
| (126,940) | - | (126,940) |
| (24,297) | - | (24,297) |
| (58,643) | - | (58,643) |
| 42,230 | - | 42,230 |
| (3,109) | - | (3,109) |
| (3,877) | - | (3,877) |
| <u>(274,511)</u> | <u>-</u> | <u>(274,511)</u> |
| - | (101,927) | (101,927) |
| - | <u>(90,126)</u> | <u>(90,126)</u> |
| <u>-</u> | <u>(192,053)</u> | <u>(192,053)</u> |
| (274,511) | (192,053) | (466,564) |
| 43,258 | - | 43,258 |
| 45,932 | - | 45,932 |
| 122,832 | 81,900 | 204,732 |
| 1,299 | - | 1,299 |
| 44,341 | - | 44,341 |
| 1,998 | 3,316 | 5,314 |
| 1,866 | - | 1,866 |
| 6,013 | - | 6,013 |
| <u>267,539</u> | <u>85,216</u> | <u>352,755</u> |
| (6,972) | (106,837) | (113,809) |
| <u>1,267,190</u> | <u>1,599,746</u> | <u>2,866,936</u> |
| <u>\$ 1,260,218</u> | <u>\$ 1,492,909</u> | <u>\$ 2,753,127</u> |

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, 2018

| | Major Funds |
|--|-------------------|
| | General |
| | Fund |
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$ 362,418 |
| Investments | 14,880 |
| Receivables Net | |
| Ad Valorem Taxes | 2,752 |
| Sales and Use Taxes | 24,333 |
| Due From Other Governments | |
| Louisiana Beer Tax Distribution | 346 |
| Prepaid Items | 14,266 |
| Restricted Assets: Cash and Cash Equivalents | 11,251 |
| <u>TOTAL ASSETS</u> | \$ 430,246 |
| <u>LIABILITIES</u> | |
| Accounts Payable | \$ 6,409 |
| Due To Other Funds | (2,180) |
| Accrued Liabilities | 2,276 |
| Total Liabilities | 6,505 |
| <u>FUND BALANCE</u> | |
| Nonspendable | 16,446 |
| Restricted for Debt Service | 11,251 |
| Assigned | 200 |
| Unassigned | 395,844 |
| Total Fund Balance | 423,741 |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u> | \$ 430,246 |

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, 2018

| | Major Funds |
|---|-----------------|
| | General Fund |
| Total Governmental Fund Balances | \$ 423,741 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> | |
| Governmental Capital Assets | 1,995,711 |
| Less: Accumulated Depreciation | (1,058,666) |
| <p>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 funds.</p> | |
| Capital Bond Obligations and Notes: | |
| Notes Payable - Marion State Bank | (15,553) |
| Bonds Payable - Fire Station Project | (83,747) |
| Accrued Interest Payable | (1,268) |
| Net Position of Governmental Activities | \$ 1,260,218 |

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, 2018

| | <u>Major Fund</u> |
|---|---------------------|
| | <u>General Fund</u> |
| <u>Revenues</u> | |
| Property Taxes | \$ 43,258 |
| Franchise Taxes | 45,932 |
| Sales Taxes | 122,832 |
| Licenses and Permits | 44,341 |
| Intergovernmental | 1,299 |
| Sanitation Fees | 49,545 |
| Fines | 14,653 |
| Interest Income | 1,998 |
| Miscellaneous | 1,866 |
| Fire Department - Insurance Rebate | 3,374 |
| Police Supplemental Pay | 6,000 |
| Landfill Rebate | 1,687 |
| DOTD - Street Reimbursement | 5,560 |
| Fire Station Rentals | 1,500 |
| Tower Rent | 6,013 |
| Total Revenues | 349,858 |
| <u>Expenditures</u> | |
| General Government | 95,592 |
| Police Protection | 139,475 |
| Fire Protection | 16,943 |
| Public Works | 48,438 |
| Sanitation Department | 9,002 |
| Culture and Recreation | 1,043 |
| Debt Service: | |
| Principal Payments | 7,294 |
| Interest and Other | 3,903 |
| Capital Outlays | - |
| Total Expenditures | 321,690 |
| <u>Excess (Deficiency) of Revenues Over Expenditures</u> | 28,168 |
| <u>Other Financing Sources and (Uses)</u> | |
| Transfers Out | - |
| <u>Net Change in Fund Balance</u> | 28,168 |
| <u>Fund Balance - Beginning</u> | 395,573 |
| <u>FUND BALANCE - ENDING</u> | \$ 423,741 |

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, 2018

| | | |
|-------------------------------------|----|--------|
| Net Change in Fund Balances - Total | | |
| Governmental Funds | \$ | 28,168 |

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 | | - |
| Depreciation expense | | (42,460) |
| | | (42,460) |

| | | |
|---|--|-------|
| 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. | | 7,294 |
|---|--|-------|

| | | |
|---|--|----|
| Interest on long-term debt is recognized over the life of the loan on the statement of activities. However, on government funds interest is recognized when paid. | | 26 |
| | | 26 |

| | | |
|--|----|---------|
| Change in Net Position in Governmental | | |
| Activities | \$ | (6,972) |

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

TOWN OF MARION
MARION, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

| ASSETS | MAJOR FUNDS | | |
|---------------------------------------|--------------------------|-------------------|---------------------|
| | BUSINESS-TYPE ACTIVITIES | | |
| | ENTERPRISE FUNDS | | |
| | WATER | SEWER | TOTAL |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 55,600 | \$ 42,802 | \$ 98,402 |
| Accounts Receivable, Net | 36,747 | 8,111 | 44,858 |
| Grants Receivable | 16,500 | - | 16,500 |
| Investments | 34,171 | - | 34,171 |
| Prepaid Items | 4,034 | 1,704 | 5,738 |
| Total Current Assets | 147,052 | 52,617 | 199,669 |
| Non-Current Assets | | | |
| Restricted Assets: | | | |
| Water Fund - Meter Deposits | 23,446 | - | 23,446 |
| Water Sinking & Reserve Accounts | 178,767 | - | 178,767 |
| Restricted Investments Water Meter | 17,192 | - | 17,192 |
| Restricted Investments Water Projects | 142,664 | - | 142,664 |
| Total Restricted Assets | 362,069 | - | 362,069 |
| Capital Assets: | | | |
| Land | 18,400 | 14,607 | 33,007 |
| Construction in Process | 42,165 | - | 42,165 |
| Buildings | 252,191 | 92,966 | 345,157 |
| Infrastructure | 2,490,316 | 1,183,856 | 3,674,172 |
| Furniture and Equipment | 364,341 | 49,893 | 414,234 |
| Less: Accumulated Depreciation | (1,736,998) | (462,825) | (2,199,823) |
| Total Capital Assets | 1,430,415 | 878,497 | 2,308,912 |
| TOTAL ASSETS | \$ 1,939,536 | \$ 931,114 | \$ 2,870,650 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 20,876 | \$ 6,464 | \$ 27,340 |
| Accrued Liabilities | 4,855 | - | 4,855 |
| Customer Deposits | 27,270 | - | 27,270 |
| Accrued Interest | 1,166 | - | 1,166 |
| Bonds Payable - Current Portion | 23,919 | - | 23,919 |
| Due To (From) Other Funds | 6,939 | (4,759) | 2,180 |
| Total Current Liabilities | 85,025 | 1,705 | 86,730 |
| Long Term Liabilities | | | |
| Bonds Payable - Long-Term | 1,291,011 | - | 1,291,011 |
| Total Liabilities | 1,376,036 | 1,705 | 1,377,741 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 114,319 | 878,497 | 992,816 |
| Restricted for Capital Projects | 338,623 | - | 338,623 |
| Unrestricted | 110,558 | 50,912 | 161,470 |
| Total Net Position | \$ 563,500 | \$ 929,409 | \$ 1,492,909 |

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, 2018

| | MAJOR FUNDS | | |
|---|--------------------------|-------------------|---------------------|
| | BUSINESS-TYPE ACTIVITIES | | |
| | ENTERPRISE FUNDS | | |
| | WATER | SEWER | TOTAL |
| <u>Operating Revenues</u> | | | |
| Charges for Services | \$ 200,008 | \$ 51,269 | \$ 251,277 |
| Sales Tax | 40,950 | 40,950 | 81,900 |
| Total Operating Revenues | <u>240,958</u> | <u>92,219</u> | <u>333,177</u> |
| <u>Operating Expenses</u> | | | |
| Salaries and Employee Benefits | 128,086 | 15,784 | 143,870 |
| Office Supplies | 6,841 | 942 | 7,783 |
| Professional Fees | 3,875 | 3,875 | 7,750 |
| Repairs and Maintenance | 33,860 | 21,162 | 55,022 |
| Vehicle Expense | 4,613 | 4,358 | 8,971 |
| Utilities and Telephone | 12,088 | 10,320 | 22,408 |
| Depreciation and Amortization | 107,210 | 35,031 | 142,241 |
| EPA Testing | - | 385 | 385 |
| Insurance | 10,327 | 6,227 | 16,554 |
| Miscellaneous | 1,167 | 5 | 1,172 |
| Administration Charge - Sewer | (43,306) | 43,306 | - |
| Total Operating Expenses | <u>264,761</u> | <u>141,395</u> | <u>406,156</u> |
| <u>Operating Income (Loss)</u> | (23,803) | (49,176) | (72,979) |
| <u>Non-Operating Revenues (Expenses)</u> | | | |
| Operating Interest | 3,060 | 256 | 3,316 |
| Interest Expense | (53,674) | - | (53,674) |
| Grant Income | 16,500 | - | 16,500 |
| Total Non-Operating Revenues (Expenses) | <u>(34,114)</u> | <u>256</u> | <u>(33,858)</u> |
| <u>Changes in Net Position</u> | (57,917) | (48,920) | (106,837) |
| Net Position - Beginning of the Year | <u>621,417</u> | <u>978,329</u> | <u>1,599,746</u> |
| NET POSITION - END OF THE YEAR | <u>\$ 563,500</u> | <u>\$ 929,409</u> | <u>\$ 1,492,909</u> |

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, 2018

| | <u>MAJOR FUNDS</u> | | |
|---|---------------------------------|------------------|-------------------|
| | <u>BUSINESS-TYPE ACTIVITIES</u> | | |
| | <u>ENTERPRISE FUNDS</u> | | |
| | <u>WATER</u> | <u>SEWER</u> | <u>TOTAL</u> |
| <u>Cash Flows From Operating Activities</u> | | | |
| Receipts from Customers | \$ 196,248 | \$ 51,270 | \$ 247,518 |
| Payments to Supplies | (72,560) | (42,496) | (115,056) |
| Payments to Employees | (128,286) | (16,152) | (144,438) |
| Other Receipts (Payments) | 42,134 | 42,213 | 84,347 |
| Internal Activity Payments to Other Funds | 43,306 | (43,306) | - |
| Net Cash Provided by Operating Activities | 80,842 | (8,471) | 72,371 |
| <u>Cash Flows From Noncapital Financing Activities</u> | | | |
| Increase in Customer Deposits | 245 | - | 245 |
| Interfund Payable - General Fund | 2,656 | 2,646 | 5,302 |
| Interfund Payable - Enterprise Fund | (165) | 165 | - |
| Net Cash Provided by Noncapital Financing Activities | 2,736 | 2,811 | 5,547 |
| <u>Cash Flows From Capital and Related Financing Activities</u> | | | |
| Purchase of Capital Assets | (25,665) | - | (25,665) |
| Principal Paid on Bonds | (22,962) | - | (22,962) |
| Payments for Interest on Long-Term Financing | (53,694) | - | (53,694) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (102,321) | - | (102,321) |
| <u>Cash Flows From Investing Activities</u> | | | |
| Interest Earned on Operating Fund | 979 | 256 | 1,235 |
| <u>Net Increase (Decrease) in Cash and Cash Equivalents</u> | (17,764) | (5,404) | (23,168) |
| Cash and Cash Equivalents at Beginning of Year | 275,577 | 48,206 | 323,783 |
| <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u> | \$ 257,813 | \$ 42,802 | \$ 300,615 |
| Classified As: | | | |
| Cash | \$ 55,600 | \$ 42,802 | \$ 98,402 |
| Meter Deposits | 23,446 | - | 23,446 |
| Water Sinking and Reserve Accounts | 178,767 | - | 178,767 |
| <u>NET CASH AND CASH EQUIVALENTS</u> | \$ 257,813 | \$ 42,802 | \$ 300,615 |

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, 2018

| | MAJOR FUNDS | | |
|--|--------------------------|-------------------|------------------|
| | 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 | \$ (23,803) | \$ (49,176) | \$ (72,979) |
| Adjustments to Reconcile Net Losses to Net Cash Used by Operating Activities | | | |
| Depreciation | 107,210 | 35,031 | 142,241 |
| (Increase) Decrease in Accounts Receivable | (2,497) | 1,263 | (1,234) |
| Increase in Grants Receivable | (16,500) | - | (16,500) |
| (Increase) Decrease in Prepaid Items | 20 | (367) | (347) |
| Increase in Accounts Payable | 16,676 | 4,778 | 21,454 |
| Decrease in Accrued Liabilities | (264) | - | (264) |
| Total Adjustments | <u>104,645</u> | <u>40,705</u> | <u>145,350</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>\$ 80,842</u> | <u>\$ (8,471)</u> | <u>\$ 72,371</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, 2018

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

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.

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Town includes all funds which are controlled by or dependent on the Town which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation of management or governing authority and authority to issue debt. Certain units of local government over which the Town exercises no oversight responsibility, such as the parish police jury, parish school board, other independently elected officials, and other municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Town. The Town has no component units.

B. Government-Wide Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide Accounting (continued)

recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In accordance with Government Accounting Standards Board Statement No. 34, the Town has presented a Statement of Net Position and Statement of Activities for the Town as a whole. These statements include the primary government, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-Wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-Wide statements distinguish between governmental-type and business-type activities. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

C. Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Position except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The allocations of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they are allocated.

D. Application of FASB Statements and Interpretations

Reporting on governmental-type and business-type activities are based on FASB Statements and the Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

E. Capitalized Assets

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Amounts less than \$500 are not capitalized unless they are considered major by the Mayor and Council. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Position. Depreciation of contributed assets of proprietary funds is charged against contributed capital as opposed to unrestricted net assets.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

E. Capitalized Assets (continued)

Under the requirements of GASB Statement No. 34, the Town is considered a Phase 3 government as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets retroactivity. The Town has opted not to retroactively report these types of capital assets.

F. Program Revenues

The Statement of Activities presents three categories of program revenues – (1) charges for services; (2) operating grants and contributions, and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the Town. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for specific use.

G. Indirect Expense

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the Town has chosen not to do so.

H. Operating Revenues

Proprietary funds separately report operating and non-operating revenues. Revenues from transactions of the Town's operation of providing water and sewer services are considered operating revenues. All other revenues, which are reported as cash flows from capital or non-capital financing and investing, are reported as non-operating revenues.

I. Fund Accounting

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the Town are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

J. Governmental Funds

Governmental funds account for all or most of the Town's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

General Fund - is the general operating fund of the Town and accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds - these funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Town of Marion does not maintain a Debt Service Fund.

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

K. Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. 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 funds' principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds include:

Enterprise Funds - Account for operations (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 of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

L. Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by the type of financial statement presentation. The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, outflow, inflows and liabilities associated with the operation of governmental-type and business-type activities are included in the Statement of Net Position. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

L. Basis of Accounting/Measurement Focus (continued)

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers revenues to be available if they are collected within 60 days of the end of current fiscal period. Expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated in each fund.

This same measurement focus and basis of accounting is used by proprietary funds in the fund statements. However, all governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, outflows and inflows are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

M. Budgets and Budgetary Accounting

The Town adopts an annual budget for the General Fund and Enterprise Fund at their regular public board 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.

N. 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 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.

O. Investments

Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings. All investments of the Town are certificates of deposits held at Marion State Bank and the fair value is determined by the face value of the certificate.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

P. 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.

Q. Inventories

Inventories are not considered material and are therefore not recorded. The Town purchases supplies as needed and do not maintain inventory quantities on hand.

R. Short-Term Interfund Receivables/Payables

During the course of operation, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements' balance sheet. 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 their "grossing up" effect on assets and liabilities within the governmental activity's column.

S. Restricted Assets

Certain proceeds of the governmental funds and the enterprise funds are classified as restricted assets on the balance sheet because their use is limited. Components of these assets are listed in Note 8.

T. 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.

U. Capital Assets

The Town's assets are recorded at historical cost. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

| | | | |
|---------------------------------------|------------|----------------|-------------|
| Equipment and Furniture | 3-10 Years | Buildings | 39-40 Years |
| Utility Plant/Sewer Collection System | 5-40 Years | Infrastructure | 40-60 Years |
| Vehicles | 5-10 Years | | |

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

In June 1999, the Government Accounting Standards Board issued Statement No. 34 which requires the inclusion of infrastructure assets used in Governmental activities in the general-purpose financial statements retroactively reported back to 1982. An exception exists for local governments with annual revenues of less than \$10 million. As a result of this exception, the Town has elected to not report its governmental infrastructure retroactively. The infrastructure currently being depreciated over a period of 40 years is the water and sewer system that is reported in the business-type activities of the Town. From this point forward, the Town will use the basic approach to infrastructure reporting for its governmental activities.

V. 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.

W. 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.

At December 31, 2018, 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%.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

X. Fund Equity

GASB Statement Number 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Y. Restricted Fund Balance

This classification reflects the constraints-imposed on resources either (a) externally by creditors, grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Z. Committed Fund Balance

These amounts can only be used for specific purposes determined by formal resolutions or ordinances of the Town Council – the government’s highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the Board of Aldermen remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

AA. Assigned Fund Balance

This classification reflects amounts whose intent is to be used for specific purposes but are neither restricted nor committed. The Town Council and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted not committed.

AB. Unassigned Fund Balance

This fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. When both restricted and unrestricted resources are available for use, it is the Town’s policy to use externally restricted resources first, then unrestricted resources-committed, assigned and unassigned in order as needed.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

AC. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

AD. Major - Non-Major Funds

The Town of Marion considers all funds to be major funds, therefore, the Town did not have any Non-Major funds as of December 31, 2018. The Town's Major Funds are: General Fund and Business Type Funds – Water and Sewer.

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 \$35,153 of custodial risk related to its deposits at December 31, 2018.

At December 31, 2018, the Town has cash and cash equivalents and investments (book balances net of overdrafts) in the amount of \$883,191.

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, 2018, the Town has bank cash and investments totaling \$895,812, as follows:

Custodial Credit Risk – Deposits (continued)

| | |
|--|-------------------|
| Cash in Checking or in Savings | \$ 473,441 |
| Certificates of Deposits (Investments) | 49,051 |
| Restricted Assets (Cash) | 213,464 |
| Restricted Assets (Investments) | 159,856 |
| Total | <u>\$ 895,812</u> |

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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. The Marion State Bank had pledged security with a face value of \$590,957 and a market value of \$610,659. Cash, cash equivalents and investments (bank balances), at December 31, 2018, are secured as follows:

| | |
|-----------------------------------|------------|
| Bank Balances | \$ 895,812 |
| Federal Deposit Insurance | 250,000 |
| Pledged Securities (Market Value) | 610,659 |
| Total | \$ 860,659 |

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counter party, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town had no custodial credit risk related to its investments at December 31, 2018.

Interest Rate Risk

The Town manages its exposure to declines in fair market values by limiting portfolio to “money market investments”, which are defined as credit worthy, highly liquid investments of one year or less. Although there may be certain circumstances in which longer-term securities are utilized, the general use of long-term securities are limited.

Credit Risk

The Town’s investment policy limits investments to fully insured and/or fully collateralized certificates of deposits.

Concentration of Credit Risk

The Town is limited to investments instruments of: 1) certificates of deposit; 2) certain direct obligations of the U.S. Government; 3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the United States of America; and 4) the Louisiana Asset Management Pool.

The state requires collateral pledged for deposits to be held in the government’s name by the trust department reviews collateral pledged on a quarterly basis. Most checking accounts pay interest on a monthly basis. Certificates of deposits pay interest at various times during the year. Most

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2 - Cash and Investments (continued)

investment and cash accounts interest are paid at year end, so the amount of accrued interest is less than \$100 as of December 31, 2018 therefore no accrual was recorded.

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, 2018, taxes of 7.43 mills were levied on 568 properties with assessed valuations totaling \$5,882,951 and were dedicated as follows:

General Fund 7.43 Mills

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

| <u>Year</u> | <u>Taxes</u> <u>Levied</u> | <u>Assessed</u> <u>Value</u> |
|-------------|-------------------------------|---------------------------------|
| 2018 | \$ 43,710 | \$ 5,882,951 |
| 2017 | 42,187 | 5,677,934 |
| 2016 | 43,344 | 5,833,598 |
| 2015 | 42,533 | 5,724,537 |
| 2014 | \$ 46,173 | \$ 6,214,398 |

At the date of this report uncollected property taxes are in the amount of \$1,544. This amount is considered uncollectible.

The telephone/communication companies that operates a billing center in the Town, were billed a combined \$18,159 which is 42% of the total billed.

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 11%. 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 \$2,206. Interest paid to the Town is \$0. The Town record the sales tax revenue at net of these fees.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 4 - Sales Taxes (continued)

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 2018 is \$3,374.

Note 6 - Receivables

A summary of receivables as of December 31, 2018 is as follows:

| <u>General Fund</u> | |
|--|-----------|
| Property Taxes | \$ 2,752 |
| Sales Taxes | 24,333 |
| Receivable - General Fund | 27,085 |
| Beer Taxes Due From State of Louisiana | 346 |
| Total General Fund | 27,431 |
| <u>Enterprise Fund Water/Sewerage</u> | |
| Trade Accounts | 32,380 |
| NSF Checks | 56 |
| Allowance for Doubtful Accounts | (3,800) |
| Total Trade Accounts | 28,636 |
| Sales Taxes | 16,222 |
| Total Enterprise Fund Water/Sewerage | 44,858 |
| Total All Funds | \$ 72,289 |

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:

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

| <u>Monthly Rates for Services</u> | <u>Residential</u> <u>Rates</u> | <u>Commercial</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. |
| <u>Sewer Rates:</u> | | |
| 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. |
| <u>Garbage Rates:</u> | | |
| 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 |
| <u>Water Meter Deposit:</u> | | |
| 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.

Meter Problems

The Town has experienced problems with the function of their radio frequency meters in prior years. In 2015, the Town replaced some of the meters' registers to help to solve the problem with these meters' lack of readings. In prior years, the meters would not record usage of water. Some of the meters would never show a reading, while other meters would show a reading one month and have a blank reading the next month. While there are still some reading problems, the new registers have corrected a lot of the problems. According to the Town's employees, the meter register problems are still an ongoing. The Town has around 25% of their meters recording no

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 7 - Water & Sewer Statistics (continued)

meter readings. In 2018, the employees said they have replaced around 50 meters that were defective.

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 2018.

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 \$8,570.

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 \$2,681 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:

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 8 - Restricted Assets (continued)

General Fund

| | |
|-------------------------------------|---------------|
| Fire Bond Sinking Fund Savings | \$ 2,681 |
| Fire Bond Reserve Fund Savings | 2,196 |
| Fire Bond Depreciation Fund Savings | 3,187 |
| Fire Bond Contingency Fund Savings | 3,187 |
| Total Cash and Investments | <u>11,251</u> |

Enterprise Fund

| | |
|---|-------------------|
| Customers' Deposits on Meters Checking | 23,446 |
| Customers' Deposits on Meters CD | 17,192 |
| Water Operation & Maintenance CD | 23,893 |
| CF Elevated Tank Debt Service Reserve CD | 3,818 |
| Water Contingency Fund Savings | 28,162 |
| Water Debt Service Reserve Savings | 28,162 |
| Water Sinking Fund Savings | 61,476 |
| Water Depreciation Short Lived Assets Savings | 60,967 |
| Water Depreciation Short Lived Assets CD | 114,953 |
| Total Cash and Investments | <u>\$ 362,069</u> |

Note 9 - Capital Assets

Capital Asset Activity for the year ended December 31, 2018 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|--------------------|--------------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$ 45,597 | \$ - | \$ - | \$ 45,597 |
| Depreciable Assets | | | | |
| Buildings | 540,302 | - | - | 540,302 |
| Improvements | 136,778 | - | - | 136,778 |
| Furniture and Equipment | 688,575 | - | - | 688,575 |
| Infrastructure | 584,459 | - | - | 584,459 |
| Totals at Historical Cost | <u>1,995,711</u> | - | - | <u>1,995,711</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (185,851) | (13,266) | - | (199,117) |
| Improvements | (113,683) | (1,711) | - | (115,394) |
| Furniture and Equipment | (633,945) | (12,839) | - | (646,784) |
| Infrastructure | (82,728) | (14,643) | - | (97,371) |
| Total Accumulated Depreciation | <u>(1,016,207)</u> | <u>(42,459)</u> | - | <u>(1,058,666)</u> |
| <u>Governmental Activities</u> | | | | |
| <u>Capital Assets Net</u> | \$ 979,504 | \$ (42,459) | \$ - | \$ 937,045 |

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Business-Type Activities

| | | | | |
|--|---------------------------|---------------------------|--------------------|----------------------------|
| Non-Depreciable Assets: | | | | |
| Land | \$ 33,007 | \$ - | \$ - | \$ 33,007 |
| Construction in Process | - | 42,165 | - | 42,165 |
| 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 | - | - | 414,234 |
| Totals at Historical Cost | 4,466,570 | 42,165 | - | 4,508,735 |
| Less: Accumulated Depreciation: | | | | |
| Buildings | (78,704) | (14,082) | - | (92,786) |
| Water System | (1,329,361) | (61,746) | - | (1,391,107) |
| Sewer System | (379,147) | (29,258) | - | (408,405) |
| Furniture and Equipment | (270,371) | (37,154) | - | (307,525) |
| Total Accumulated Depreciation | (2,057,583) | (142,240) | - | (2,199,823) |
| <u>Business-Type Activities</u> | | | | |
| <u>Capital Assets Net</u> | <u>\$2,408,987</u> | <u>\$(100,075)</u> | <u>\$ -</u> | <u>\$ 2,308,912</u> |

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 \$12,500 for each employee for the year 2018. 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 \$5,531 for 2018. All contributions were funded by January 2019.

Note 11 - Accounts and Other Payables

The following is a summary of payables at December 31, 2018:

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

| <u>Class of Payable</u> | <u>Governmental</u> | <u>Proprietary</u> | <u>Total</u> |
|----------------------------------|---------------------|--------------------|------------------|
| | <u>Funds</u> | <u>Funds</u> | |
| Accounts | \$ 6,409 | \$ 27,340 | \$ 33,749 |
| Withholding and Payroll Accruals | 2,276 | 4,855 | 7,131 |
| Customer Deposits | - | 27,270 | 27,270 |
| Total Current Payables | <u>\$ 8,685</u> | <u>\$ 59,465</u> | <u>\$ 68,150</u> |

Note 12 - Notes and Capital Leases

Notes payable and capital leases at December 31, 2018 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 2018 equaled \$3,524. The bond balance owed at year end is \$83,747. A schedule of annual payments are listed below:

| <u>Year</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|-------------|------------------|------------------|-------------------|
| 2019 | \$ 3,521 | \$ 1,679 | \$ 5,200 |
| 2020 | 3,450 | 1,750 | 5,200 |
| 2021 | 3,376 | 1,824 | 5,200 |
| 2022 | 3,300 | 1,900 | 5,200 |
| 2023 | 3,220 | 1,980 | 5,200 |
| 2024-2028 | 14,779 | 11,221 | 26,000 |
| 2029-2033 | 12,213 | 13,787 | 26,000 |
| 2034-2038 | 9,061 | 16,939 | 26,000 |
| 2039-2043 | 5,188 | 20,812 | 26,000 |
| 2044-2045 | 799 | 11,855 | 12,654 |
| Total | <u>\$ 58,907</u> | <u>\$ 83,747</u> | <u>\$ 142,654</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 2018 was \$380.

| <u>Year</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|-------------|-----------------|------------------|------------------|
| 2019 | \$ 259 | \$ 5,739 | \$ 5,998 |
| 2020 | 143 | 5,855 | 5,998 |
| 2021 | 29 | 3,959 | 3,988 |
| Total | <u>\$ 431</u> | <u>\$ 15,553</u> | <u>\$ 15,984</u> |

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 12 - Notes and Capital Leases (continued)

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.

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> |
|-------------|-------------------|-------------------|---------------------|
| 2019 | \$ 29,724 | \$ 12,816 | \$ 42,540 |
| 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 |
| 2024-2028 | 129,300 | 83,400 | 212,700 |
| 2029-2033 | 112,129 | 100,571 | 212,700 |
| 2034-2038 | 91,425 | 121,275 | 212,700 |
| 2039-2043 | 66,457 | 146,243 | 212,700 |
| 2044-2048 | 36,348 | 176,352 | 212,700 |
| 2049-2051 | 4,994 | 101,465 | 106,459 |
| Total | <u>\$ 584,192</u> | <u>\$ 798,467</u> | <u>\$ 1,382,659</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 \$516,463.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 12 - Notes and Capital Leases (continued)

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.

| <u>Year</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|-------------|-------------------|-------------------|-------------------|
| 2019 | \$ 23,014 | \$ 11,102 | \$ 34,116 |
| 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 |
| 2024-2028 | 94,406 | 76,170 | 170,576 |
| 2029-2033 | 75,227 | 95,353 | 170,580 |
| 2034-2038 | 51,216 | 119,364 | 170,580 |
| 2039-2043 | 21,160 | 149,420 | 170,580 |
| 2044-2048 | 182 | 15,305 | 15,487 |
| Total | <u>\$ 351,920</u> | <u>\$ 516,463</u> | <u>\$ 868,383</u> |

The schedule below shows the retirement of debt at December 31, 2018:

| | <u>12/31/2017</u> | <u>Addition To Debt</u> | <u>Retirement Of Debt</u> | <u>Total</u> |
|---|---------------------|-----------------------------|-------------------------------|---------------------|
| Governmental Fund: | | | | |
| Public Improvement Bonds: | | | | |
| Fire Department Building | \$ 85,423 | \$ - | \$ 1,676 | \$ 83,747 |
| Marion State Bank - Automobile Loan | 21,171 | - | 5,618 | 15,553 |
| Total Governmental Fund | <u>106,594</u> | - | 7,294 | 99,300 |
| Enterprise Fund: | | | | |
| Water Revenue Bonds Series 2011 | | | | |
| R-1 Water Wells and Distribution System | 810,813 | - | 12,346 | 798,467 |
| R-2 Water Elevated Tank | 527,079 | - | 10,616 | 516,463 |
| Total Enterprise Fund | <u>1,337,892</u> | - | 22,962 | 1,314,930 |
| Total Retirement of Debt | <u>\$ 1,444,486</u> | <u>\$ -</u> | <u>\$ 30,256</u> | <u>\$ 1,414,230</u> |

The Town did not have any capital leases at year end.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 13 - Deficit Fund Equity

As of December 31, 2018, no Town funds had deficit fund equities.

Note 14 - 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, 2018 the Water Department owed the General Fund \$4,160 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 \$43,306.

Sales Taxes are split between the General Fund, Water and Sewer Funds. At year end the General fund had not transferred the portion of sales tax collected to the Water and Sewer funds.

There were no transfers between funds, except for those listed below in Note 15 and the administrative fees between the Sewer and Water funds.

Note 15 - Receivables and Payables

Interfund receivables and payable consisted of the following at December 31, 2018.

| | |
|---|-----------------|
| Due To General Fund from the Enterprise Fund: | |
| Garbage Revenue | \$ 4,160 |
| Due From General Fund to Enterprise Fund: | |
| Miscellaneous Transfers | (1,980) |
| Sales Taxes | - |
| Total | <u>\$ 2,180</u> |

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

| | |
|---|----------------|
| Due From Other Funds, Balance Sheet (Net) – Governmental Funds | \$ 2,180 |
| Due To Other Funds, Statement of Net Assets – Proprietary Funds | <u>(2,180)</u> |
| Total | <u>\$ -</u> |

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 2019.

Note 16 - 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.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 17 - Fund Changes and Fund Balances

Amounts for specific purposes by fund and fund balance classifications for the year ended December 31, 2018 are as follows:

| <u>Classification/Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|-------------------------------|--------------------|-------------------|
| Non-Spendable: | | |
| General Fund | Prepaid Items | \$ 14,266 |
| General Fund | Interfund Advances | 2,180 |
| Restricted: | | |
| General Fund | | |
| Fire Bond Sinking and Reserve | Debt Service | 11,251 |
| Committed: | | |
| None | | - |
| Assigned: | | |
| Capital Project | Capital Project | 200 |
| Unassigned: | | |
| General Fund | | <u>395,844</u> |
| Total Fund Balance | | <u>\$ 423,741</u> |

Note 18 - Contingencies

Legal Actions

According to the Town and their attorney there were no active legal actions against the Town.

Note 19 - Related Party Transaction

The Town is not aware of any related party transactions that should be disclosed.

Note 20 - Risk Management

The Town is exposed to risks 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.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 21 - Subsequent Events

Subsequent events have been evaluated through July 3, 2019, the date that the financial statements were available to be issued. All subsequent events determined to be relevant and material to the financial statements have been appropriately recorded or disclosed.

Note 22 - 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.

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, 2018

| | Budgeted Amounts | | | Schedule 1 |
|--|--------------------|-----------------|------------|---|
| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
| | | | | |
| Budgetary fund balance at beginning of year | \$ 395,573 | \$ 395,573 | \$ 395,573 | \$ - |
| Resources | | | | |
| Property Taxes | 40,000 | 40,000 | 43,258 | 3,258 |
| Franchise Taxes | 41,000 | 45,750 | 45,932 | 182 |
| Sales Taxes | 150,000 | 140,000 | 122,832 | (17,168) |
| Licenses and Permits | 37,060 | 42,890 | 44,341 | 1,451 |
| Intergovernmental | 1,400 | 1,200 | 1,299 | 99 |
| Sanitation Fees | 49,600 | 49,600 | 49,545 | (55) |
| Fines | 23,500 | 16,500 | 14,653 | (1,847) |
| Interest Income | 1,400 | 1,600 | 1,998 | 398 |
| Miscellaneous | 1,000 | 2,750 | 3,366 | 616 |
| Fire Department - Insurance Rebate | 3,800 | 3,374 | 3,374 | - |
| Police Supplemental Pay | - | - | 6,000 | 6,000 |
| Landfill Rebate | 1,700 | 1,700 | 1,687 | (13) |
| DOTD - Street Reimbursement | 5,560 | 5,560 | 5,560 | - |
| Tower Rent | 5,200 | 5,200 | 6,013 | 813 |
| Total Resources | 361,220 | 356,124 | 349,858 | (6,266) |
| Amounts available for appropriations | 756,793 | 751,697 | 745,431 | (6,266) |
| Charges to appropriations | | | | |
| Current | | | | |
| General government | 96,764 | 95,119 | 95,592 | (473) |
| Police Protection | 144,900 | 145,558 | 139,475 | 6,083 |
| Fire Protection | 29,974 | 27,272 | 16,943 | 10,329 |
| Public works | 40,690 | 48,064 | 48,438 | (374) |
| Sanitation Department | 9,355 | 8,992 | 9,002 | (10) |
| Culture and Recreation | 1,430 | 1,287 | 1,043 | 244 |
| Debt Service | - | - | 11,197 | (11,197) |
| Total Charges to appropriations | 323,113 | 326,292 | 321,690 | 4,602 |
| Budgetary fund balance at end of year | \$ 433,680 | \$ 425,405 | \$ 423,741 | \$ (1,664) |

See accompanying notes and auditor's report.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

| | | |
|---------------------------|----|--------|
| Alderman Jeffery Kirkland | \$ | 1,200 |
| Alderwoman Lindsey Redd | | 1,200 |
| Alderman Eugene Hoggatt | | 1,200 |
| Alderman Johnny Gilliam | | 1,200 |
| Alderman Ralph Holley | | 1,200 |
| Police Chief Mark Dodd | | 43,800 |
| Mayor Kenneth W. Franklin | \$ | 6,000 |

See accompanying notes and auditor's report.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF INSURANCE POLICIES IN FORCE (UNAUDITED)
DECEMBER 31, 2018

| Type | Coverage Amount | Expiration of Policy |
|--|--------------------|-------------------------|
| Workmens' Compensation Employer's Liability | \$ 1,000,000 | 5/1/2020 |
| Automobile Liability | 1,000,000 | 5/1/2020 |
| Property Coverages | | |
| 398 Main Street | 712,910 | 5/1/2020 |
| 398 Main Street Contents | 17,600 | 5/1/2020 |
| 111 Gayle Street | 602,183 | 5/1/2020 |
| 111 Gayle Street Contents | 58,660 | 5/1/2020 |
| Water Tank | 397,953 | 5/1/2020 |
| Government Crime Policy | 500,000 | 5/1/2020 |
| General Liability | 2,000,000 | 5/1/2020 |
| Law Enforcement Officer's Liability | 1,000,000 | 5/1/2020 |
| Public Entity Employment | 1,000,000 | 5/1/2020 |
| Equipment | 50,000 | 5/1/2020 |
| Inland Marine | | 5/1/2020 |

See accompanying notes and auditor's report.

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS



**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, 2018, 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 3, 2019.

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 items 2018-01 and 2018-02 that I consider to be a significant deficiencies.



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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-03 and 2018-04.

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 3, 2019

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-01 General Accounting

Criteria

The Town is responsible for preparing financial statements required by the Louisiana Legislative Auditor.

Condition

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

Cause

The population of the Town does not give the Town the opportunity to hire individuals with the required knowledge to prepare the financial statements and related footnotes that would be required by the Louisiana Legislative Auditor's Office. The financial cost may also be unrealistic for a Town of this size.

Effect

The Town cannot issue financial statements with the required standards; however, the Town can prepare financial statements that can be used for the Town's management and some third-party agencies.

Recommendation

No action is recommended.

Name of Contact Person

Johnnie Baker, Clerk

Corrective Action Planned/Management's Response

The Town concurs with the finding, but it is not economically feasible for corrective action to be taken.

2018-02 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.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018 (continued)

2018-02 Segregation of Duties (continued)

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.

2018-03 Compliance with Annual Filing Deadline

Criteria

Louisiana Revised Statute 24:513 requires timely filing of annual reports within six months after the end of the fiscal year.

Condition

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

Cause

The Town changed auditors and it took more time than normal to get the audit setup and timely completed.

Effect

The Town was not in compliance with state statute.

Recommendation

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

Name of Contact Person

Danny Smith, Mayor

Corrective Action Planned/Management's Response

The Town will have the information ready for the auditor to start by May 1, 2020.

2018-04 Security for Deposits held at Financial Institutions

Criteria

Louisiana Revised Statute 39:1225 requires the market value of the pledged securities to be equal to one hundred percent of the amount of collected funds on deposit except for the portion that is insured by FDIC.

Condition

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

Cause

The Town had large deposits in December and didn't realize until after year end that they were over the amount that was pledged and insured.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018 (continued)

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

Effect

If the Town doesn't have sufficient pledged securities, it could risk losing the deposited funds in the event of a bank failure.

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.

Name of Contact Person

Danny Smith, Mayor

Corrective Action Planned/Management's Response

The Town quickly realized the problem and it was corrected immediately.

TOWN OF MARION
MARION, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Internal Control

2017-01 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 repeated as 2018-01.

2017-02 Segregation of Duties

Condition

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

Recommendation

We have no recommendations.

Current Status

Finding is repeated as 2018-02.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head
Kenneth W. Franklin, Mayor

| | | | |
|-----------------------|-----|----|-------|
| Salary | | \$ | 6,000 |
| Benefits | | | |
| Benefits - Retirement | 180 | | |
| Benefits - Insurance | - | | |
| Car Allowance | - | | |
| Travel | - | | |
| Meals | - | | |
| Total Benefits | - | | 180 |
| Total | | \$ | 6,180 |

See accompanying notes and auditor's report.

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES



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, 2018 through December 31, 2018. 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 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.

Board or Finance Committee²

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Findings: The board met at least monthly.

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 These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds

Findings: No exceptions noted.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Findings: Not Applicable.

Collections

3. Obtain a listing of deposit sites³ 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.

4. For each deposit site selected, obtain a listing of collection locations⁴ 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.

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.

³ A deposit site is a physical location where a deposit is prepared and reconciled.

⁴ 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.

- 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)⁵. *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.*

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.*

⁵ 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.

- 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: Of the transactions reviewed, 2 charges had no receipt to support the credit card charge.

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.⁶

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.

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 3, 2019

⁶ This notice is available for download or print at www.la.gov/hotline.