

TOWN OF FERRIDAY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 2018
AND FOR THE YEAR THEN ENDED
WITH
INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

TOWN OF FERRIDAY, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2018
With Supplementary Information Schedules

TABLE OF CONTENTS

	Statement	Page
Independent Auditor's Report-----		1-2
Section I - Required Supplementary Information		
Management's Discussion and Analysis -----		3-7
Section II - Basic Financial Statements		
Government-Wide Financial Statements:		
Statement of Net Position-----	A	8
Statement of Activities-----	B	9
Section III - Fund Financial Statements		
Governmental Funds:		
Balance Sheet-----	C	10
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position -----	D	11
Statement of Revenue, Expenditures, and Changes in Fund Balances -----	E	12-13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities-----	F	14
Proprietary Funds:		
Statement of Net Position-----	G	15
Statement of Revenue, Expenses, and Changes in Net Position-----	H	16
Statement of Cash Flows-----	I	17
Notes to the Financial Statements-----		18-35
Section IV - Additional Required Supplementary Information		
Budgetary Comparison Schedule - General Fund -----		36
Notes to the Required Supplementary Information-----		37
Schedule of the Town's Proportionate Share of the Net Pension Liability-----		38
Schedule of the Town's Contributions-----		39

TOWN OF FERRIDAY, LOUISIANA

**Annual Financial Statements
As of and for the Year Ended June 30, 2018
With Supplementary Information Schedules**

TABLE OF CONTENTS

	Statement	Page
Section V - Other Supplementary Information		
Schedule of Compensation, Benefits, and Other Payments to Agency Head---		40
Compensation of the Governing Board-----		41
Schedule of Insurance Coverage-----		42
Section VI - Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards-----		43-44
Section VII - Schedule of Findings		
Schedule of Findings -----		45
Status of Prior Year Findings-----		46
Current Year Findings, Recommendations, and Responses -----		47-48
Section VIII - Agreed-Upon Procedures		
Independent Accountant's Report on Applying Agreed-Upon Procedures ---		49
Supplemental Schedule of Agreed-Upon Procedures and Findings-----		50-57
Schedule of Exceptions-----		58



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INDEPENDENT AUDITOR'S REPORT

Mayor and the Board of Aldermen
Town of Ferriday, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ferriday, Louisiana as of and for the year ended June 30, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Ferriday, Louisiana as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity 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 on pages 3 through 7 and the Budgetary Comparison Schedules, the Schedule of the Town's Proportionate Share of the Net Pension Liability, and the Schedule of the Town's Contributions on pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ferriday, Louisiana's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head; Compensation of the Governing Board; and Schedule of Insurance Coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head; Compensation of the Governing Board; and Schedule of Insurance Coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head; Compensation of the Governing Board; and Schedule of Insurance Coverage are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the Town's internal control over financial reporting and on our 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 our 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 the Town's internal control over financial reporting and compliance.

This report is intended for the information of the Mayor and members of the Board of Aldermen of the Town of Ferriday, Louisiana and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silas Simmons, LLP

Natchez, Mississippi
March 5, 2019

SECTION I
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

As management of the Town of Ferriday, Louisiana, we offer readers of the Town of Ferriday, Louisiana's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2018 and 2017, the Town of Ferriday's net position increased in 2018, which resulted in ending net position of \$13,260,037, and increased in 2017 and resulted in ending net position (restated) of \$13,119,850.

1. The ending cash balance was \$851,300 as of June 30, 2018, and \$1,002,794 at June 30, 2017.
2. The governmental activities had \$2,708,984 in revenues in 2018 and \$3,686,974 in revenues for 2017, which primarily consisted of sales taxes, property taxes, occupational license taxes, franchise taxes, and fines. There was \$2,747,797 in governmental expenses in 2018 and \$2,894,187 in 2017.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Ferriday, Louisiana's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year.

The government-wide financial statements outline functions of the Town that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The basic governmental fund financial statements can be found on pages 10 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 35 of this report.

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$13,260,037 as of June 30, 2018.

Net Position for the Periods Ending June 30, 2018 and 2017

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
Current assets	\$ 586,047	\$ 549,097	\$ 1,135,144	\$ 1,271,038
Noncurrent assets	5,057,829	10,918,532	15,976,361	16,091,935
Total assets	<u>\$ 5,643,876</u>	<u>\$ 11,467,629</u>	<u>\$ 17,111,505</u>	<u>\$ 17,362,973</u>
Deferred outflows of resources	\$ 279,556	\$ -	\$ 279,556	\$ 134,380
Current liabilities	\$ 106,256	\$ 281,381	\$ 387,637	\$ 650,674
Noncurrent liabilities	1,621,404	2,056,148	3,677,552	3,638,157
Total liabilities	<u>\$ 1,727,660</u>	<u>\$ 2,337,529</u>	<u>\$ 4,065,189</u>	<u>\$ 4,288,831</u>
Deferred inflows of resources	\$ 65,835	\$ -	\$ 65,835	\$ 88,672
Net position				
Investment in capital assets, net of related debt	\$ 3,847,829	\$ 8,723,964	\$ 12,571,793	\$ 12,385,395
Restricted for customer deposits	-	79,590	79,590	79,385
Restricted for debt service	192,297	195,977	388,274	463,380
Restricted for capital projects	15,391	41,141	56,532	131,846
Unrestricted (deficit)	74,420	89,428	163,848	59,844
Total net position	<u>\$ 4,129,937</u>	<u>\$ 9,130,100</u>	<u>\$ 13,260,037</u>	<u>\$ 13,119,850</u>

The following is a comparative summary of the statement of activities:

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
Revenue:				
Federal grants	\$ 86,942	\$ -	\$ 86,942	\$ 1,249,071
Program revenue	2,661,400	1,232,906	3,894,306	4,417,049
Capital Contributions	-	519,283	519,283	-
Transfers	(39,358)	39,358	-	-
Total revenue and transfers	<u>\$ 2,708,984</u>	<u>\$ 1,791,547</u>	<u>\$ 4,500,531</u>	<u>\$ 5,666,120</u>
Expenses:				
General and administrative	\$ 1,017,403	\$ -	\$ 1,017,403	\$ 945,892
Public safety	1,090,855	-	1,090,855	1,356,075
Streets	421,567	-	421,567	369,138
Sanitation	142,949	-	142,949	165,990
Recreation	42,511	-	42,511	26,387
Interest expense	32,512	75,104	107,616	110,530
Utility operations	-	1,537,443	1,537,443	1,356,567
Total expenses	<u>\$ 2,747,797</u>	<u>\$ 1,612,547</u>	<u>\$ 4,330,579</u>	<u>\$ 4,330,579</u>
Increase in net position	\$ (38,813)	\$ 179,000	\$ 140,187	\$ 1,335,541
Net position - beginning of year	\$ 4,168,750	\$ 8,951,100	\$ 13,119,850	\$ 11,131,461
Prior period adjustment	-	-	-	652,849
Net position - beginning of year (as restated)	<u>\$ 4,168,750</u>	<u>\$ 8,951,100</u>	<u>\$ 13,119,850</u>	<u>\$ 11,784,310</u>
Net position - end of year	<u>\$ 4,129,937</u>	<u>\$ 9,130,100</u>	<u>\$ 13,260,037</u>	<u>\$ 13,119,850</u>

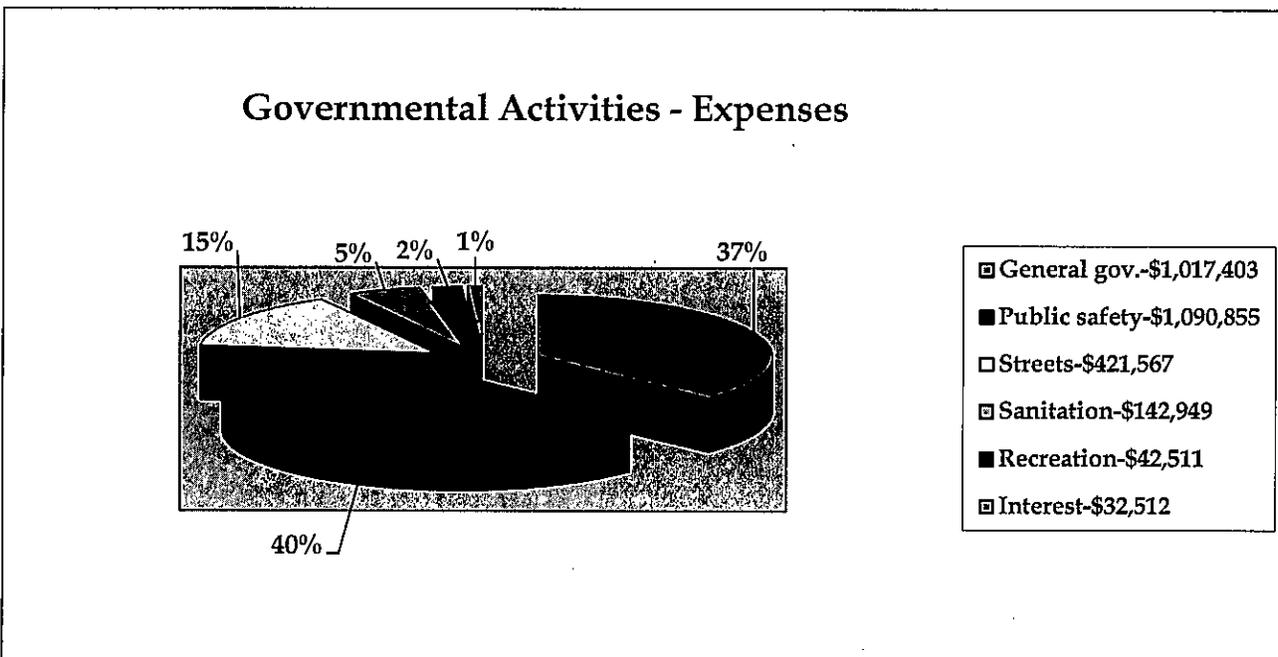
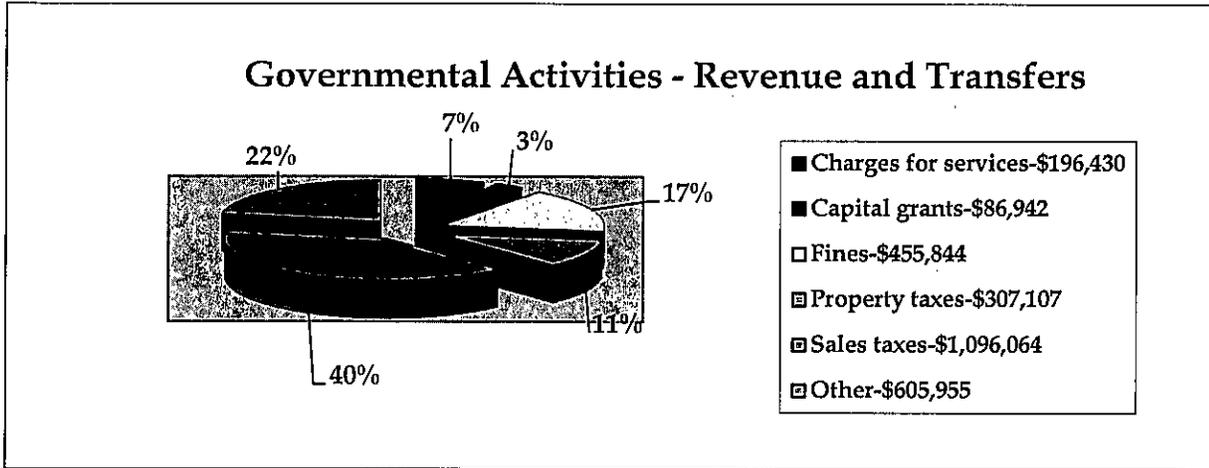
TOWN OF FERRIDAY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following are graphical representations of information presented in the statement of activities for governmental activities:



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.

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

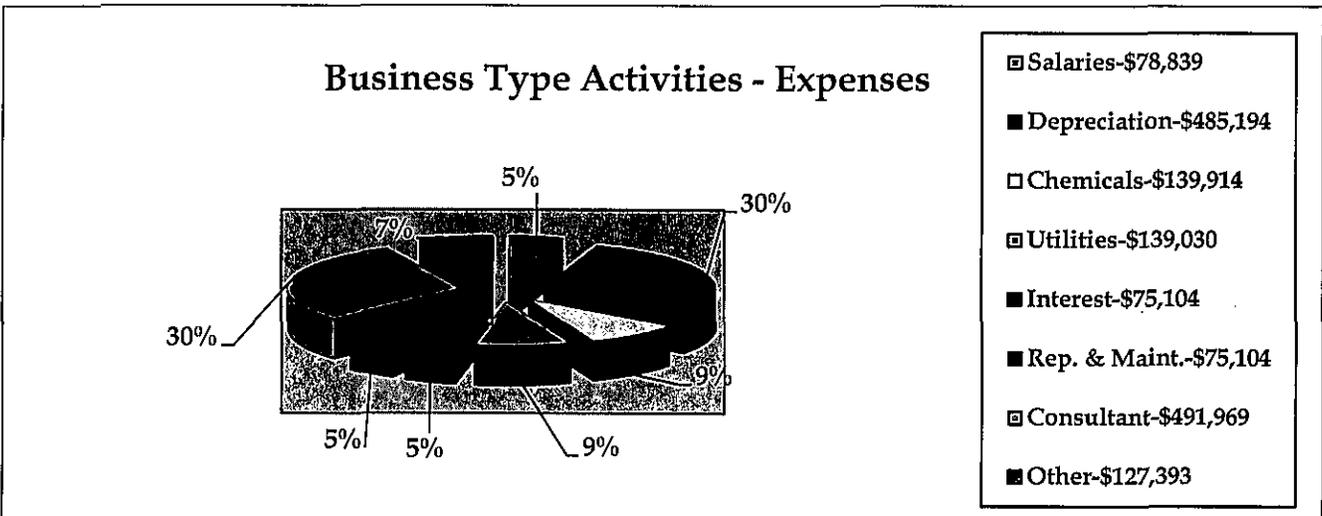
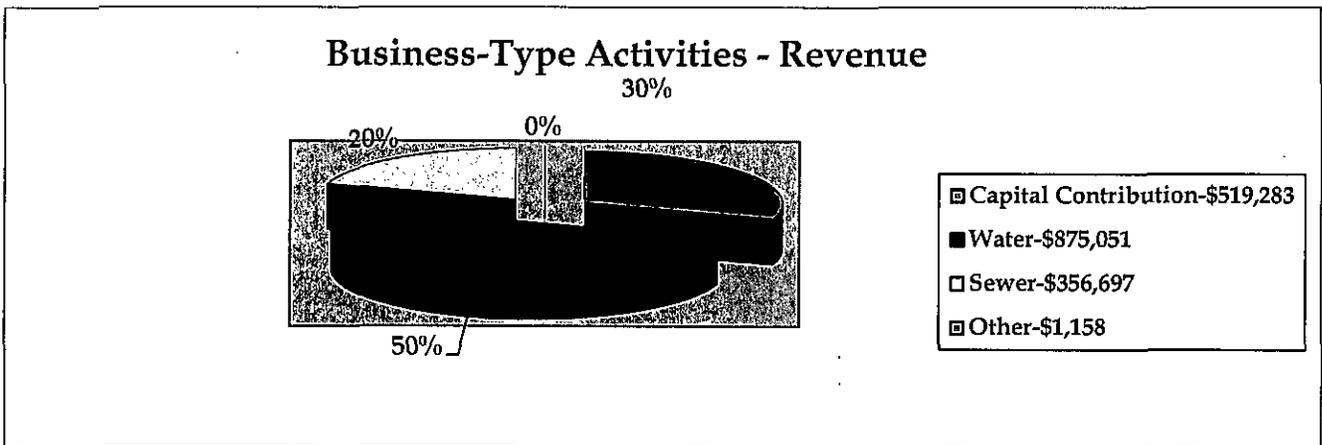
JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-Type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has two business-type activities (water and sewer), which are accounted for in enterprise funds.

The following are graphical representations of information in the statement of activities for business-type activities:



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.

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Comments on General Fund Budget Comparisons

The Town's budget was amended once during the last year. Expenditures were budgeted at \$2,715,382, and revenue was budgeted at \$2,751,125.

Actual expenditures were less than budgeted amounts by \$77,317, and actual revenue was \$165,290 less than the budgeted amounts.

CAPITAL ASSETS

As of June 30, 2018, the Town had a net of \$5,057,829 invested in capital assets in the governmental activities and \$10,918,532 in the business-type activities. This year, there were additions of \$68,956 in the governmental activities and \$56,628 in the business-type activities. The following capital assets were purchased in the fiscal year ended June 30, 2018:

General government additions:	
Ferriday Hall	\$ 52,958
Various equipment	<u>15,998</u>
Total	<u>\$ 68,956</u>
Proprietary fund	
Water plant improvements	<u>\$ 56,628</u>

MANAGEMENT'S REPORT

The Town has closed fiscal year ending June 30, 2018. We are excited about the Town's new water system, which is now online. We have worked diligently in ensuring that the Town's utility billing and collection practices are accurate and that all accounts are being monitored. We feel that the Town has employed individuals in vital positions who are capable of ensuring that these procedures are carried out and can be positively reflected in the findings of the Town's audit.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Sherrie Jacobs McMahon, Mayor, 1116 Second Street, Ferriday, Louisiana 71334, (318) 757-3411.

SECTION II
BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business- Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 339,899	\$ 99,469	\$ 439,368
Receivables (net of allowances for uncollectible amounts)	150,924	132,920	283,844
Restricted assets	95,224	316,708	411,932
Capital assets (net)	5,057,829	10,918,532	15,976,361
Total assets	<u>\$ 5,643,876</u>	<u>\$ 11,467,629</u>	<u>\$ 17,111,505</u>
<u>Deferred Outflows of Resources</u>	<u>\$ 279,556</u>	<u>\$ -</u>	<u>\$ 279,556</u>
<u>Liabilities</u>			
Accounts, salaries, and other payables	\$ 19,266	\$ 46,395	\$ 65,661
Customer deposits	-	86,254	86,254
Accrued interest payable	-	9,112	9,112
Accrued compensated absences	16,990	1,200	18,190
Long-term liabilities:			
Due within one year	70,000	138,420	208,420
Due in more than one year	1,140,000	2,056,148	3,196,148
Net pension liability	481,404	-	481,404
Total liabilities	<u>\$ 1,727,660</u>	<u>\$ 2,337,529</u>	<u>\$ 4,065,189</u>
<u>Deferred Inflows of Resources</u>	<u>\$ 65,835</u>	<u>\$ -</u>	<u>\$ 65,835</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	\$ 3,847,829	\$ 8,723,964	\$ 12,571,793
Restricted for:			
Customer deposits	-	79,590	79,590
Debt service	192,297	195,977	388,274
Capital projects	15,391	41,141	56,532
Unrestricted	74,420	89,428	163,848
Total net position	<u>\$ 4,129,937</u>	<u>\$ 9,130,100</u>	<u>\$ 13,260,037</u>

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

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expenses), Revenues, and Changes		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<u>Governmental Activities</u>						
General government	\$ 1,017,403	\$ 196,430	\$ 86,942	\$ (734,031)	\$ -	\$ (734,031)
Public safety:						
Police	858,076	455,844	-	(402,232)	-	(402,232)
Fire	232,779	-	-	(232,779)	-	(232,779)
Streets	421,567	-	-	(421,567)	-	(421,567)
Sanitation	142,949	-	-	(142,949)	-	(142,949)
Recreation	42,511	-	-	(42,511)	-	(42,511)
Interest on long-term debt	32,512	-	-	(32,512)	-	(32,512)
Total governmental activities	<u>\$ 2,747,797</u>	<u>\$ 652,274</u>	<u>\$ 86,942</u>	<u>\$ (2,008,581)</u>	<u>\$ -</u>	<u>\$ (2,008,581)</u>
<u>Business-Type Activities</u>						
Water	\$ 1,050,017	\$ 875,051	\$ -	\$ -	\$ (174,966)	\$ (174,966)
Sewer	562,530	356,697	519,283	-	313,450	313,450
Total business-type activities	<u>\$ 1,612,547</u>	<u>\$ 1,231,748</u>	<u>\$ 519,283</u>	<u>\$ -</u>	<u>\$ 138,484</u>	<u>\$ 138,484</u>
Total	<u>\$ 4,360,344</u>	<u>\$ 1,884,022</u>	<u>\$ 606,225</u>	<u>\$ (2,008,581)</u>	<u>\$ 138,484</u>	<u>\$ (1,870,097)</u>
General Revenues:						
Taxes:						
Property taxes				\$ 307,107	\$ -	\$ 307,107
Sales taxes				1,096,064	-	1,096,064
Other taxes				165,469	-	165,469
Licenses and permits				66,520	-	66,520
Interest income				403	1,158	1,561
Other general revenues				373,563	-	373,563
Transfers				(39,358)	39,358	-
Total general revenues and transfers				<u>\$ 1,969,768</u>	<u>\$ 40,516</u>	<u>\$ 2,010,284</u>
Change in net position				<u>\$ (38,813)</u>	<u>\$ 179,000</u>	<u>\$ 140,187</u>
Net position - beginning of year				<u>\$ 4,168,750</u>	<u>\$ 8,951,100</u>	<u>\$ 13,119,850</u>
Net position - end of year				<u>\$ 4,129,937</u>	<u>\$ 9,130,100</u>	<u>\$ 13,260,037</u>

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

SECTION III
FUND FINANCIAL STATEMENTS

TOWN OF FERRIDAY, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	Major Funds				Total
	General Fund	General Obligation Bond Fund	Street Construction Fund	LCDBG Water Intake Fund	
Assets					
Cash	\$ 339,899	\$ -	\$ -	\$ -	\$ 339,899
Cash - restricted	-	79,833	12,315	3,076	95,224
Accounts receivable (net of allowances for uncollectibles)	150,924	-	-	-	150,924
Due from other funds	-	112,464	-	-	112,464
Total assets	<u>\$ 490,823</u>	<u>\$ 192,297</u>	<u>\$ 12,315</u>	<u>\$ 3,076</u>	<u>\$ 698,511</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts, salaries, and other payables	\$ 19,266	\$ -	\$ -	\$ -	\$ 19,266
Due to other funds	112,464	-	-	-	112,464
Total liabilities	<u>\$ 131,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,730</u>
Fund balances:					
Restricted for:					
Debt service	\$ -	\$ 192,297	\$ -	\$ -	\$ 192,297
Capital projects	-	-	12,315	3,076	15,391
Unassigned, reported in:					
General fund	359,093	-	-	-	359,093
Total fund balances	<u>\$ 359,093</u>	<u>\$ 192,297</u>	<u>\$ 12,315</u>	<u>\$ 3,076</u>	<u>\$ 566,781</u>
Total liabilities and fund balances	<u>\$ 490,823</u>	<u>\$ 192,297</u>	<u>\$ 12,315</u>	<u>\$ 3,076</u>	<u>\$ 698,511</u>

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

TOWN OF FERRIDAY, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

JUNE 30, 2018

Fund Balances, Total Governmental Funds (Statement C)		\$	566,781
Amounts reported for governmental activities in the Statement of Net Position (Statement A) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets are:			
Land, buildings, and equipment	\$	8,875,735	
Less accumulated depreciation		<u>(3,817,906)</u>	5,057,829
Deferred outflows and inflows are not financial resources or currently payable.			
Deferred outflows	\$	279,556	
Deferred inflows		<u>(65,835)</u>	213,721
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Accrued Compensated Absences			(16,990)
Long-term liabilities			(1,210,000)
Net pension liability			<u>(481,404)</u>
Net Position of Governmental Activities (Statement A)		\$	<u><u>4,129,937</u></u>

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

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds				Total
	General Fund	General Obligation Bond Fund	Street Construction Fund	LCDBG Water Intake Funds	
Revenue					
Taxes	\$ 1,416,805	\$ 151,835	\$ -	\$ -	\$ 1,568,640
Licenses and permits	66,520	-	-	-	66,520
Intergovernmental:					
Federal funds	86,642	-	-	-	86,642
State funds	300	-	-	-	300
Charges for services	196,430	-	-	-	196,430
Fines	455,844	-	-	-	455,844
Interest income	111	292	-	-	403
Miscellaneous	373,563	-	-	-	373,563
Total revenue	<u>\$ 2,596,215</u>	<u>\$ 152,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,748,342</u>
Expenditures					
Current:					
General government and administration	\$ 860,423	\$ -	\$ -	\$ -	\$ 860,423
Public safety:					
Police	823,506	-	-	-	823,506
Fire	218,985	-	-	-	218,985
Streets	283,911	-	17,724	-	301,635
Sanitation	142,949	-	-	-	142,949
Recreation	41,511	-	-	-	41,511
Capital outlay	68,956	-	-	-	68,956
Debt service:					
Principle	-	70,000	-	-	70,000
Interest	-	32,512	-	-	32,512
Total expenditures	<u>\$ 2,440,241</u>	<u>\$ 102,512</u>	<u>\$ 17,724</u>	<u>\$ -</u>	<u>\$ 2,560,477</u>
Excess of revenue (expenditures)	<u>\$ 155,974</u>	<u>\$ 49,615</u>	<u>\$ (17,724)</u>	<u>\$ -</u>	<u>\$ 187,865</u>

-continued-

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds				Total
	General Fund	General Obligation Bond Fund	Street Construction Fund	LCDBG Water Intake Fund	
Excess of revenue over (under) expenditures	\$ 155,974	\$ 49,615	\$ (17,724)	\$ -	\$ 187,865
<u>Other Financing Sources (Uses)</u>					
Transfers - (out)	\$ -	\$ (102,240)	\$ (1,346)	\$ -	\$ (103,586)
Transfers - in	64,228	-	-	-	64,228
Total other financing sources (uses)	\$ 64,228	\$ (102,240)	\$ (1,346)	\$ -	\$ (39,358)
Net change in fund balances	\$ 220,202	\$ (52,625)	\$ (19,070)	\$ -	\$ 148,507
Fund balances - beginning of year	\$ 138,891	\$ 244,922	\$ 31,385	\$ 3,076	\$ 418,274
Fund balances - end of year	\$ 359,093	\$ 192,297	\$ 12,315	\$ 3,076	\$ 566,781

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

TOWN OF FERRIDAY, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances, Total Governmental Funds (Statement E)	\$	148,507
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Thus, the change in net position differs from the change in fund balances by which capital outlays exceeded depreciation in the period:

Capital outlay	\$	68,956	
Depreciation expense		<u>(275,247)</u>	(206,291)

Repayment of debt principal is an expenditure in the governmental funds, and borrowing is an income item, but the repayment reduces long-term liabilities in the statement of net position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments and debt issued.

Repayment of debt principal		70,000
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Net pension expense is reported in governmental funds as expenditures as they are paid; however, in the Statement of Activities, the net pension expense is reported according to estimates required by GASB 68:

Pension expenses paid	\$	51,264	
Pension expenses per GASB 68		<u>(110,784)</u>	(59,520)

Increase in accrued compensated absences		(5,488)
Net change in pension related items		<u>13,979</u>

Change in Net Position of Governmental Activities (Statement B)	\$	<u><u>(38,813)</u></u>
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TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2018

	Major Funds		Total
	Water Fund	Sewer Fund	
Assets			
Current assets:			
Cash	\$ 80,920	\$ 18,549	\$ 99,469
Accounts receivable, utility sales (net of allowance of \$11,000 and \$33,000, respectively)	113,385	19,535	132,920
Total current assets	\$ 194,305	\$ 38,084	\$ 232,389
Noncurrent assets			
Restricted assets:			
Plant construction	\$ 41,141	\$ -	\$ 41,141
Bond debt service reserve fund	35,676	107,483	143,159
Bond sinking fund	155	-	155
Depreciation fund	38,642	14,021	52,663
Consumer deposits	79,590	-	79,590
Total restricted assets	\$ 195,204	\$ 121,504	\$ 316,708
Capital assets:			
Property, plant, and equipment	\$ 13,350,242	\$ 7,832,795	\$ 21,183,037
Less accumulated depreciation	(4,885,854)	(5,378,651)	(10,264,505)
Total capital assets	\$ 8,464,388	\$ 2,454,144	\$ 10,918,532
Total assets	\$ 8,853,897	\$ 2,613,732	\$ 11,467,629
Liabilities			
Current liabilities (payable from current assets):			
Accounts, salaries, and other payables	\$ 46,395	\$ 1,200	\$ 47,595
Total current liabilities (payable from current assets)	\$ 46,395	\$ 1,200	\$ 47,595
Current liabilities (payable from restricted assets):			
Customer deposits	\$ 86,254	\$ -	\$ 86,254
Notes payable, current portion	61,981	76,439	138,420
Accrued interest payable	7,566	1,546	9,112
Total current liabilities payable from restricted assets	\$ 155,801	\$ 77,985	\$ 233,786
Long-term liabilities:			
Notes payable	\$ 1,522,766	\$ 533,382	\$ 2,056,148
Total liabilities	\$ 1,724,962	\$ 612,567	\$ 2,337,529
Net Position			
Invested in capital assets, net of related debt	\$ 6,879,641	\$ 1,844,323	\$ 8,723,964
Restricted for capital projects	41,141	-	41,141
Restricted for customer deposits	79,590	-	79,590
Restricted for debt service	74,473	121,504	195,977
Unrestricted	54,090	35,338	89,428
Total net position	\$ 7,128,935	\$ 2,001,165	\$ 9,130,100

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

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		Total
	Water Fund	Sewer Fund	
<u>Operating Revenue</u>			
Utility sales	\$ 841,971	\$ 356,697	\$ 1,198,668
Tap fees	750	-	750
Other income	32,330	-	32,330
Total operating revenue	<u>\$ 875,051</u>	<u>\$ 356,697</u>	<u>\$ 1,231,748</u>
<u>Operating Expenses</u>			
Salaries	\$ -	\$ 78,839	\$ 78,839
Payroll taxes and retirement	-	9,015	9,015
Utilities	49,704	89,326	139,030
Chemicals and supplies	108,663	31,251	139,914
Repairs and maintenance	1,073	74,031	75,104
Consultant fees	471,588	20,381	491,969
Office expense and postage	13,353	8	13,361
Depreciation	288,344	196,850	485,194
Other operating expenses	74,668	30,349	105,017
Total operating expenses	<u>\$ 1,007,393</u>	<u>\$ 530,050</u>	<u>\$ 1,537,443</u>
Net income (loss) from operations	<u>\$ (132,342)</u>	<u>\$ (173,353)</u>	<u>\$ (305,695)</u>
Nonoperating revenue and expenses			
Interest income	\$ 527	\$ 631	\$ 1,158
Interest expense	(42,624)	(32,480)	(75,104)
Total nonoperating revenue and expenses	<u>\$ (42,097)</u>	<u>\$ (31,849)</u>	<u>\$ (73,946)</u>
Income (loss) before transfers	<u>\$ (174,439)</u>	<u>\$ (205,202)</u>	<u>\$ (379,641)</u>
<u>Other Financing Sources (Uses)</u>			
Capital Contribution	\$ -	\$ 519,283	\$ 519,283
Transfers in	14,946	24,412	39,358
Total other financing sources (uses)	<u>\$ 14,946</u>	<u>\$ 543,695</u>	<u>\$ 558,641</u>
Change in net position	<u>\$ (159,493)</u>	<u>\$ 338,493</u>	<u>\$ 179,000</u>
Total net position - beginning of year	<u>\$ 7,288,428</u>	<u>\$ 1,662,672</u>	<u>\$ 8,951,100</u>
Total net position - end of year	<u>\$ 7,128,935</u>	<u>\$ 2,001,165</u>	<u>\$ 9,130,100</u>

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

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		Total
	Water Fund	Sewer Fund	
<u>Cash Flows from Operating Activities</u>			
Cash received from customers	\$ 868,720	\$ 357,697	\$ 1,226,417
Cash paid to suppliers and employees	(673,302)	(333,200)	(1,006,502)
Net cash provided by operating activities	\$ 195,418	\$ 24,497	\$ 219,915
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers from (to) other funds	\$ 14,946	\$ 24,412	\$ 39,358
Increase in customer deposits	11,365	-	11,365
Net cash provided by noncapital financing activities	\$ 26,311	\$ 24,412	\$ 50,723
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchase of fixed assets	\$ (56,628)	\$ -	\$ (56,628)
Principal paid on notes payable	(159,240)	(72,732)	(231,972)
Interest paid on notes payable	(42,624)	(32,480)	(75,104)
Interest income	527	631	1,158
Net cash used for financing activities	\$ (257,965)	\$ (104,581)	\$ (362,546)
Net decrease in cash	\$ (36,236)	\$ (55,672)	\$ (91,908)
Cash at beginning of year	312,360	195,725	508,085
Cash at end of year	\$ 276,124	\$ 140,053	\$ 416,177
<u>Reconciliation of Operating Loss to Net Cash Provided by:</u>			
Operating loss	\$ (132,342)	\$ (173,353)	\$ (305,695)
<u>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</u>			
Depreciation	\$ 288,344	\$ 196,850	\$ 485,194
Change in assets and liabilities			
(Decrease) increase in accounts receivable	(6,331)	1,000	(5,331)
Increase in accounts payable	45,747	-	45,747
Total adjustments	\$ 327,760	\$ 197,850	\$ 525,610
Net cash provided by operating activities	\$ 195,418	\$ 24,497	\$ 219,915

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF FERRIDAY, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

INTRODUCTION

The Town of Ferriday, Louisiana is a municipal corporation governed by an elected mayor.

1. The Town of Ferriday, Louisiana was incorporated under provisions of the Lawrason Act as a town in 1923.
2. The purpose of a municipality is to provide utility services, public safety (police and fire), streets, sanitation, and general administrative services.
3. The Board of Aldermen consists of five elected members that are paid \$500 per month for regular meetings and \$100 for each special meeting.
4. The Town of Ferriday, Louisiana is located in the northeastern portion of Concordia Parish, Louisiana.
5. The population of Ferriday, Louisiana was 3,511 on July 1, 2010, according to 2010 census.
6. The Town of Ferriday, Louisiana had approximately 48 employees as of June 30, 2018.
7. The Town of Ferriday, Louisiana had approximately 1,500 utility customers as of June 30, 2018. The customers consisted of 1,350 residential customers and 150 commercial customers.

GASB Statement 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Government-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The General Obligation Bond Fund accounts for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations created by the issuing of \$1,280,000 general obligation bonds.

The Street Construction Fund accounts for transactions relating to proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The LCDBG Water Intake Fund accounts for emergency construction of repairs to the water intake facility connected to the water treatment plant. This construction is funded by a grant under LCDBG contract No. 698535.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The municipality reports the following major proprietary funds:

The Water Fund is used to account for operations where the intent of the governing body is that costs (expenses, including depreciation) of providing water services to the general public on a continuing basis be financed (or recovered primarily) through user charges.

The Sewer Fund is used to account for operations where the intent of the governing body is that costs (expenses, including depreciation) of providing sewer services to the general public on a continuing basis be financed (or recovered primarily) through user charges.

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

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

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

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

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

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Deposits

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. Receivables and Revenue

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

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

General Fund	14.66 mills
General Obligation Bond Fund	12 mills

The Town has levied a 2 ½% sales tax on sales within the legal limits of the Town. The proceeds of the sales tax are dedicated to:

1. Payment of general operating expenses of the Town,
2. Payment of all or part of capital improvements,
3. Maintenance or operation of capital improvements, and
4. Any one or all of the aforementioned purposes.

E. Restricted Assets

At June 30, 2018, certain assets of the Town of Ferriday, Louisiana have been restricted for debt service and customers' deposits as follows:

	Major Funds			Proprietary Funds	
	General Obligation Bond Fund	Street Construction Fund	LCDBG Water Intake Fund	Water Fund	Sewer Fund
Restricted for construction	\$ -	\$ 12,315	\$ 3,076	\$ 41,141	\$ -
Restricted for debt service	79,833	-	-	74,473	121,504
Restricted for customer deposits	-	-	-	79,590	-
	\$ 79,833	\$ 12,315	\$ 3,076	\$ 195,204	\$ 121,504

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Under the provisions of GASB Statement 34 as a Phase III government, the Town has elected not to retroactively capitalize certain infrastructure assets such as roads and streets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest incurred or capitalized during the year.

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

Gas lines, sewer lines, and water plant	40 years
Vehicles and equipment	3 to 10 years
Buildings	40 years
Other	5 to 20 years

G. Compensated Absences

The municipality has the following policy relating to vacation and sick leave:

Annual Leave - For the first five years of full-time employment, each employee shall be credited with 80 hours of annual leave on his or her employment anniversary date. Each employee with more than five and less than ten years of service as a full-time employee shall be credited with 96 hours of annual leave on his or her anniversary date. Each employee with ten or more years of service as a full-time employee shall be credited with 120 hours of annual leave on his or her employment anniversary date. The maximum hours accumulated can be no more than 240 hours.

Sick Leave - Each full-time employee shall earn sick leave at the rate of eight hours for each month worked. However, no employee may accumulate more than 80 hours of sick leave per year nor accumulate more than 240 hours of sick leave overall.

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

TOWN OF FERRIDAY, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Compensated Absences (continued)

GASB Statement 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

1. An accrual for earned sick leave should be made only to the extent that it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

H. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

I. Net Position/Fund Balance

Beginning with fiscal year 2012, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Position/Fund Balance (continued)

- Unassigned fund balance – amounts that are available for any purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes)

The Town establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Town through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies.

Government-Wide Financial Statements

The page labeled Statement of Net Position (Statement A) and the page labeled Statement of Activities (Statement B) display information about the Town as a whole. These statements include all the financial activities of the Town. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues – Program revenues included in the column labeled Statement of Activities (Statement B) are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Deferred Outflows/Inflows of Resources

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget Information – The municipality uses the following budget practices:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than 15 days prior to the beginning of each fiscal year. The Town approves a budget for the general fund only.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenue exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a cash basis.

NOTE 3 – TOTAL EXPENDITURES - BUDGET AND ACTUAL

The general fund actual expenditures of \$2,638,065 were less than budgeted expenditures of \$2,715,382 by \$77,317. General fund revenues were \$165,290 less than the budget.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - CASH AND CASH EQUIVALENTS

At June 30, 2018, the Town has cash and cash equivalents (book balances) as follows:

Demand deposits	\$	319,718	
Interest-bearing demand deposits		228,895	
Time deposits		<u>302,687</u>	
	\$	<u>851,300</u>	

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

At June 30, 2018, the municipality had \$907,085 in deposits (collected bank balances). These deposits are secured from risk by \$521,195 of federal deposit insurance and \$590,264 in pledged securities.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 2, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds on demand.

NOTE 5 - RECEIVABLES

The receivables of \$283,844 at June 30, 2018, are as follows:

Governmental funds			
Garbage collection fees		\$	30,448
Sales tax			98,460
Fines			43,016
Less allowance for doubtful accounts			<u>(21,000)</u>
Total governmental funds		\$	150,924
Proprietary funds			
Water billings	\$	124,385	
Less allowance for doubtful accounts		<u>(11,000)</u>	113,385
Sewer billings	\$	52,535	
Less allowance for doubtful accounts		<u>(33,000)</u>	<u>19,535</u>
Total		\$	<u>283,844</u>

An allowance for bad debts has been established which estimates the amount of uncollectible accounts receivable. The Town writes off accounts receivable by reducing accounts receivable and the allowance for bad debts as they are identified as uncollectible.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 6 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2018, are as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 213,544	\$ -	\$ -	\$ 213,544
Total capital assets not being depreciated	<u>\$ 213,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,544</u>
Capital assets being depreciated				
Construction in progress	\$ 1,617,765	\$ 52,958	\$ (826,891)	\$ 843,832
Buildings	2,926,430	826,891	(2,951)	3,750,370
Machinery and equipment	1,728,199	15,998	(24,996)	1,719,201
Streets	2,348,788	-	-	2,348,788
Total capital assets being depreciated	<u>\$ 8,621,182</u>	<u>\$ 895,847</u>	<u>\$ (854,838)</u>	<u>\$ 8,662,191</u>
Less accumulated depreciation for				
Buildings	\$ (1,349,271)	\$ (107,052)	\$ 2,951	\$ (1,453,372)
Machinery and equipment	(1,541,641)	(49,263)	24,996	(1,565,908)
Streets	(679,694)	(118,932)	-	(798,626)
Total accumulated depreciation	<u>\$ (3,570,606)</u>	<u>\$ (275,247)</u>	<u>\$ 27,947</u>	<u>\$ (3,817,906)</u>
Total capital assets being depreciated, net	<u>\$ 5,050,576</u>	<u>\$ 620,600</u>	<u>\$ (826,891)</u>	<u>\$ 4,844,285</u>
Governmental activities capital assets, net	<u>\$ 5,264,120</u>	<u>\$ 620,600</u>	<u>\$ (826,891)</u>	<u>\$ 5,057,829</u>
Business-type activities:				
Capital assets being depreciated				
Construction in progress	\$ -	\$ 56,628	\$ -	\$ 56,628
Water systems lines and equipment	13,293,614	-	-	13,293,614
Sewer systems lines and equipment	7,313,512	519,283	-	7,832,795
Total capital assets being depreciated	<u>\$ 20,607,126</u>	<u>\$ 575,911</u>	<u>\$ -</u>	<u>\$ 21,183,037</u>
Less accumulated depreciation:				
Water systems lines and equipment	\$ (4,597,510)	\$ (288,344)	\$ -	\$ (4,885,854)
Sewer systems lines and equipment	(5,181,801)	(196,850)	-	(5,378,651)
Total accumulated depreciation	<u>\$ (9,779,311)</u>	<u>\$ (485,194)</u>	<u>\$ -</u>	<u>\$ (10,264,505)</u>
Business-type activities capital assets, net	<u>\$ 10,827,815</u>	<u>\$ 90,717</u>	<u>\$ -</u>	<u>\$ 10,918,532</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 109,951
Police	33,570
Fire	12,794
Streets	118,932
Total depreciation	<u>\$ 275,247</u>

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transfers at June 30, 2018:

<u>Transfers Out</u>	<u>Transfers In</u>		
General Obligation Bond Fund	General Fund	\$	102,240
General Fund	Sewer Fund	\$	24,412
General Fund	Water Fund	\$	14,946
Street Construction	General Fund	\$	1,346

NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES

Accounts, salaries, and other payables at June 30, 2018, are as follows:

	<u>Proprietary Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
Accounts	\$ 19,266	\$ 46,395	\$ -	\$ 65,661
Total	<u>\$ 19,266</u>	<u>\$ 46,395</u>	<u>\$ -</u>	<u>\$ 65,661</u>

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of changes in governmental activities long-term liabilities in the statement of net position for the year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 1,280,000	\$ -	\$ 70,000	\$ 1,210,000	\$ 70,000
Compensated absences	11,502	5,488	-	16,990	-
Total	<u>\$ 1,291,502</u>	<u>\$ 5,488</u>	<u>\$ 70,000</u>	<u>\$ 1,226,990</u>	<u>\$ 70,000</u>

Long-term liabilities at June 30, 2018, are comprised of the following:

General Obligation Bonds - \$1,280,000 in General Obligation Bonds due in annual installments of \$70,000 to \$115,000 through March 1, 2031, bearing interest at a rate of 2.54%.	<u>\$ 1,210,000</u>
	<u>\$ 1,210,000</u>

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 – LONG-TERM LIABILITIES (continued)

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, are as follows:

Year Ended	General Obligation Bonds		Total
	Principal	Interest	
2019	\$ 70,000	\$ 29,845	\$ 99,845
2020	80,000	27,940	107,940
2021	80,000	25,908	105,908
2022	85,000	23,813	108,813
2023	85,000	21,654	106,654
2024-2028	480,000	73,406	553,406
2029-2031	330,000	12,827	342,827
	<u>\$ 1,210,000</u>	<u>\$ 215,393</u>	<u>\$ 1,425,393</u>

The following is a summary of the business-type activities long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Water	\$ 1,743,987	\$ -	\$ (159,240)	\$ 1,584,747	\$ 61,981
Sewer	682,553	-	(72,732)	609,821	76,439
Total	<u>\$ 2,426,540</u>	<u>\$ -</u>	<u>\$ (231,972)</u>	<u>\$ 2,194,568</u>	<u>\$ 138,420</u>

Bonds payable at June 30, 2018, are comprised of the following:

Series 2002:

Water Revenue Bonds - \$1,503,000 in revenue bonds, interest only due through September 24, 2018, and loan to be combined with USDA note listed below when construction of water plant is complete.

\$ 34,273

USDA Series 2016 (R-1):

Water Revenue Bonds - \$1,384,000 in revenue bonds due in monthly installments of \$4,540, beginning April 17, 2017 through 2054, bearing interest at a rate of 2.365%

1,311,103

USDA Series 2016 (R-2):

Water Revenue Bonds - \$252,000 in revenue bonds due in monthly installments of \$862, beginning April 17, 2017 through 2054, bearing interest at a rate of 2.625%

239,371

USDA Series 1993:

Sewer Revenue Bonds - \$1,800,000 in revenue bonds due in monthly installments totaling \$105,192 annually through June 14, 2033, bearing interest at a rate of 5%.

609,821

Total

\$ 2,194,568

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM LIABILITIES (continued)

Annual debt service requirements to maturity for the following debt reported in the business-type activities are as follows:

Year Ended	Series 2002 \$1,503,000		Series 2016 (R-1) \$1,384,000		Series 2016 (R-2) \$252,000		Series 1993 \$1,800,000	
	Water Revenue Bonds		Water Revenue Bonds		Water Revenue Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 34,273	\$ 1,542	\$ 23,598	\$ 30,882	\$ 4,110	\$ 6,234	\$ 76,439	\$ 28,753
2020	-	-	24,165	30,315	4,219	6,125	80,349	24,843
2021	-	-	24,745	29,735	4,331	6,013	84,460	20,732
2022	-	-	25,339	29,141	4,446	5,898	88,781	16,411
2023	-	-	25,947	28,533	4,564	5,780	93,321	11,868
2024-2028	-	-	139,387	133,013	24,705	27,015	186,468	8,821
2029-2033	-	-	157,242	115,158	28,168	23,552	-	-
2034-2038	-	-	176,417	95,983	32,113	19,607	-	-
2039-2043	-	-	198,964	73,436	36,613	15,107	-	-
2044-2048	-	-	224,030	48,370	41,741	9,979	-	-
2049-2053	-	-	252,249	20,151	47,588	4,132	-	-
2054-2056	-	-	39,020	832	6,773	107	-	-
	<u>\$ 34,273</u>	<u>\$ 1,542</u>	<u>\$ 1,311,103</u>	<u>\$ 635,549</u>	<u>\$ 239,371</u>	<u>\$ 129,549</u>	<u>\$ 609,818</u>	<u>\$ 111,428</u>

The Town of Ferriday's proprietary fund bonds are governed by the terms of an indenture agreement, under the following terms:

WATER FUND BONDS

"Operation and Maintenance Reserve Fund"

1. The Town shall maintain a "Operation and Maintenance Reserve Fund" equal to 25% of the annual operation and maintenance cost estimated to be \$709,440, which equals \$177,360. This \$177,360 balance must be created over a 60-month period by depositing \$2,935 per month.

"Depreciation Reserve Fund"

2. The Town shall maintain a "Depreciation Reserve Fund" by depositing \$3,434 monthly in addition to the debt service reserve.

At June 30, 2018, the Town had reserves of the following:

Water Reserve Fund	\$ 2,626
WW Contingency Fund	38,642
WW Sinking Fund	155
Water Reserve CD	<u>33,050</u>
	<u>\$ 74,473</u>

These reserve requirements begin when the loan is complete.

The Town of Ferriday is not in compliance with these covenants.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM LIABILITIES (continued)

SEWER FUND BONDS

1. The Town shall maintain a "Reserve Fund" into which monthly payments of \$439 to \$475 shall be deposited until a balance of \$105,192 has been accumulated. The reserve fund balance was \$107,483 as of June 30, 2018. At June 30, 2018, the Town was in compliance with this covenant.
2. The Town shall maintain a "Contingency Fund" into which monthly payments of \$441 shall be deposited. The contingency fund balance was \$38,642 as of June 30, 2018. At June 30, 2018, the Town was in compliance with this covenant.
3. The Town had a requirement to maintain a "Sinking Fund" into which \$8,766 shall be deposited monthly. The Town now pays the note on a monthly basis; therefore, no sinking fund is required.

NOTE 10 - RETIREMENT SYSTEM

Substantially all employees of the Town of Ferriday are members of the Municipal Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a board of trustees. Pertinent information relative to the plan follows.

Municipal Employees Retirement Systems of Louisiana (System)

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

All permanent employees working at least 35 hours per week, who are not covered by another pension plan and are paid wholly or in part from municipal funds, and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service in this plan or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless they have at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary.

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 – RETIREMENT SYSTEM (continued)

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary, and the Town of Ferriday is required to contribute at an actuarially determined rate. The current rate is 11% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members of the Town of Ferriday are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Ferriday's contributions to the System under Plan B for the year ending June 30, 2017, were \$45,428, equal to the required contribution for those years.

NOTE 11 – PLAN DESCRIPTION AND BENEFITS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$481,404 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns, actuarially determined. At June 30, 2017, the Town's proportion was .5564%.

For the year ended June 30, 2018, the Town recognized pension expense of \$98,066, plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$12,718. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,522	\$ 10,450
Changes of assumptions	21,197	-
Net difference between projected and actual earnings on pension plan investments	101,429	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	103,144	55,385
Town contributions subsequent to the measurement date	<u>51,264</u>	<u>-</u>
Total	<u>\$ 279,556</u>	<u>\$ 65,835</u>

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 11 - PLAN DESCRIPTION AND BENEFITS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$51,264 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	50,205
2020		50,938
2021		56,750
2022		4,563

Actuarial assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost
Expected remaining service lives	4 years
Investment rate of return	7.400%
Inflation rate	2.775%
Salary increases, including inflation and merit	5.000%
Annuitant and beneficiary mortality	RP - 2000 Healthy Annuitant Sex Distinct Mortality Tables set forward two years for males and set forward one year for females projected to 2028 using scale AA.
Employee mortality	RP - 2000 Disabled Lives Mortality Table set back two years for both males and females
Disabled lives mortality	RP - 2000 Disabled Lives Mortality Table set back five years for males and set back three years for females.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 11 - PLAN DESCRIPTION AND BENEFITS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the Town's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	15%	0.7%
Totals	100%	4.6%
Inflation		2.6%
Expected arithmetic nominal return		7.2%

Discount Rate. The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and PRSAC. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate:

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.40%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate:

	Changes in Discount Rate 2017		
	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
Net Pension Liability	\$ 622,833	\$ 481,404	\$ 360,672

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 12 - CONTINGENT LIABILITIES

Federal Grants - The Town of Ferriday has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the Town.

NOTE 13 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SECTION IV
ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FERRIDAY, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018 Budget Note 1 Budgeted Amounts		Actual Amounts (Budget Basis) Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenue</u>				
Taxes	\$ 1,724,500	\$ 1,521,500	\$ 1,409,458	\$ (112,042)
Licenses and permits	76,150	76,800	66,520	(10,280)
Intergovernmental:				
Federal funds	152,032	87,000	86,642	(358)
State funds	-	-	300	300
Charges for services	200,000	200,000	194,155	(5,845)
Fines	600,000	500,000	455,197	(44,803)
Miscellaneous	227,550	365,825	373,563	7,738
Total revenue	<u>\$ 2,980,232</u>	<u>\$ 2,751,125</u>	<u>\$ 2,585,835</u>	<u>\$ (165,290)</u>
<u>Expenditures</u>				
Current:				
General government and administration	\$ 1,065,735	\$ 982,122	\$ 919,770	\$ 62,352
Public safety:				
Police	1,020,009	939,984	908,570	31,414
Fire	271,239	249,958	246,680	3,278
Streets	35,657	324,068	309,629	14,439
Sanitation	177,059	163,168	142,949	20,219
Recreation	51,416	47,382	41,511	5,871
Capital outlay	-	8,700	68,956	(60,256)
Total expenditures	<u>\$ 2,621,115</u>	<u>\$ 2,715,382</u>	<u>\$ 2,638,065</u>	<u>\$ 77,317</u>
<u>Excess (deficiency) of revenue over expenditures</u>	<u>\$ 359,117</u>	<u>\$ 35,743</u>	<u>\$ (52,230)</u>	<u>\$ (87,973)</u>
<u>Other financing sources (uses)</u>				
Interest income	\$ 100	\$ 100	\$ 111	\$ 11
Transfers	-	-	64,228	64,228
Total other financing sources (uses)	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 64,339</u>	<u>\$ 64,239</u>
Net change in fund balances	\$ 359,217	\$ 35,843	\$ 12,109	\$ (23,734)
Fund balances - beginning of year	<u>327,790</u>	<u>327,790</u>	<u>327,790</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ 687,007</u></u>	<u><u>\$ 363,633</u></u>	<u><u>\$ 339,899</u></u>	<u><u>\$ (23,734)</u></u>

See Independent Auditor's Report.

TOWN OF FERRIDAY, LOUISIANA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the cash basis, and variances between the final budget and the actual data.

2. Budget Adoption and Amendments

Preliminary budgets for the ensuing year are prepared by the Town Clerk prior to June 30 of each year. The availability of the proposed budget for public inspection and the date of the public hearing on the proposed budgets are advertised in the official journal. During its June meeting, the Town holds a public hearing on the proposed budgets in order to receive comments from residents of the Town. Changes are made to the proposed budgets based on the public hearing and the desires of the Board of Aldermen. The budgets are then adopted during the Town's regular June meeting.

The Town Clerk presents necessary budget amendments to the Board of Aldermen during the year when, in her judgment, actual operations are differing materially from those anticipated in the original budget. During a regular meeting, the Town reviews the proposed amendments, makes changes as it deems necessary, and formally adopts the amendments. The adoption of the amendments is included in the Town's minutes published in the official journal.

The Town exercises budgetary control at the functional level. Within functions, the Town Clerk has the discretion to make changes as she deems necessary for proper control. Unexpended appropriations lapse at year-end and must be re-appropriated in the next year's budget to be expended.

Appropriations lapse at year-end and must be re-appropriated for the following year to be expended. All changes in the budgets must be approved by the Board and the grantor agencies.

The following schedule reconciles net change in fund balances on the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

Net change in fund balance - budget basis	\$	12,109
Increase (decrease)		
Net adjustments for revenue accruals		10,269
Net adjustments for expenditure accruals		<u>197,824</u>
Net change in fund balance - GAAP basis	\$	<u>220,202</u>

See Independent Auditor's Report.

TOWN OF FERRIDAY, LOUISIANA

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	.5564%	.3231%	.5173%	.5437%
Town's proportionate share of the net pension liability (asset)	\$ 481,404	\$ 267,850	\$ 351,613	\$ 255,275
Town's covered-employee payroll	\$ 412,990	\$ 237,395	\$ 358,971	\$ 197,543
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	116.57%	88.63%	97.95%	129.23%
Plan fiduciary net position as a percentage of the total pension liability	62.11%	63.34%	68.71%	76.94%

- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See Independent Auditor's Report.

TOWN OF FERRIDAY, LOUISIANA
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 51,264	\$ 45,428	\$ 22,553	\$ 33,861
Contributions in relation to the contractually required contribution	<u>(51,264)</u>	<u>(45,428)</u>	<u>(22,553)</u>	<u>(33,861)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 386,898	\$ 412,990	\$ 237,395	\$ 358,971
Contributions as a percentage of covered-employee payroll	13.25%	11.00%	9.50%	9.43%

- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See Independent Auditor's Report.

**SECTION V
OTHER SUPPLEMENTARY INFORMATION**

TOWN OF FERRIDAY, LOUISIANA
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

Agency Head Name: Honorable Sherrie Jacobs McMahon, Mayor

Salary	\$	44,000
Benefits - retirement		6,930
Benefits - other (mayor's expense)		8,650
Dues		585
Per diem		235
Travel		<u>408</u>
Total	\$	<u>60,808</u>

See Independent Auditor's Report.

TOWN OF FERRIDAY, LOUISIANA
COMPENSATION OF THE GOVERNING BOARD
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

Aldermen:

Chryl Smith-Lee	\$	6,100
Johnnie Woodruff		1,100
Glenn Henderson		6,100
Sandra G. Pryor		6,100
Gloria Lloyd		6,100
Andre J. Keys		<u>5,000</u>
	<u>\$</u>	<u>30,500</u>

See Independent Auditor's Report.

TOWN OF FERRIDAY, LOUISIANA
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2018

Below is a listing of insurance policies in force as of December 31, 2018:

	<u>Policy Type</u>	<u>Number</u>	<u>Company</u>	<u>Coverage</u>	<u>Expiration</u>
1.	General liability	ZLP15P4231815PB	Travelers		7-10-2018
	General aggregate			\$ 1,000,000	
	Each occurrence limit			1,000,000	
	Personal injury			1,000,000	
	Damages to premises rented			50,000	
	Products - comp/op			1,000,000	
2.	Crime - directors	ZLP15P4231815PB	Travelers		7-10-2018
	Employee theft			\$ 500,000	
3.	Workmen's compensation	143254-S	LWCC		12-31-2018
	Each accident			\$ 100,000	
	Disease - each employee			100,000	
	Disease - policy limit			500,000	
4.	Property insurance	W15F20160201	Beazley, USA	\$ 10,374,000	7-1-2018
5.	Auto liability	73ABPB001270	National Liability		3-12-2018
	Combined limit		& Fire Ins	\$ 500,000	

See Independent Auditor's Report.

SECTION VI
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE



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

Mayor and Members of the Board of Aldermen
 Town of Ferriday, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ferriday, Louisiana as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Ferriday, Louisiana's basic financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, recommendations, and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings, recommendations, and responses to be a material weakness. That deficiency is described as 2018-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ferriday, Louisiana's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*: 2018-2, 2018-3, 2018-4.

Town of Ferriday, Louisiana's Response to Findings

The Town of Ferriday, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings, recommendations, and responses. We did not audit the Town of Ferriday, Louisiana's response and, accordingly, we express no opinion on it.

Purpose of This Report

This report is intended for the information and use of management, the Board of Aldermen, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Natchez, Mississippi
March 5, 2019

**SECTION VII
SCHEDULE OF FINDINGS**

TOWN OF FERRIDAY, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION 1: SUMMARY OF AUDITOR'S RESULTS

The following summarizes the audit results in accordance with the Uniform Guidance:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to the financial statements? | Yes |

TOWN OF FERRIDAY, LOUISIANA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements:				
2017-1	6-30-2006	<u>Maintenance of Utility Subsidiary Ledgers</u> The Town’s subsidiary ledgers contain many accounts that are either uncollectible or do not exist. This causes the subsidiary ledgers to not reflect a true accounts receivable.	No	This finding continues in 2018 as Finding 2018-1.
2017-2	6-30-2017	<u>Financial Statement (Compliance Finding)</u> The Town’s financial statements were not completed and submitted to the Louisiana Legislative Auditor by the statutory date of December 31, 2017.	No	This finding continues in 2018 as Finding 2018-2.
2017-3	6-30-2017	<u>LLA Investigative Audit, Finding 1</u> From December 2014 to December 2016, the Town improperly paid salary supplements/incentive pay to the Town employees and officials.	Yes	Management will make no supplement/incentive pay to the Town employees.
2017-4	6-30-2017	<u>LLA Investigative Audit, Finding 2</u> The Town improperly paid a former town clerk wages totaling \$2,095 from October 21, 2016 to November 30, 2016.	Yes	Management is revising the Town’s policy and procedures to detail the leave policy for employees. The Town is also receiving reimbursement for overpayment.
2017-5	6-30-2017	<u>LLA Investigative Audit, Finding 3</u> The Town failed to comply with the Local Government Budget Act.	Yes	Management has worked to comply with with provisions of the Local Government Budget Act.
2017-6	6-30-2017	<u>LLA Investigative Audit, Finding 4</u> The Board failed to fix salaries of municipal officers.	Yes	Management worked to fix, by ordinance, the salaries of municipal officers.

TOWN OF FERRIDAY, LOUISIANA
CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Internal Control and Compliance Material to the Financial Statements:

2018-1 Maintenance of Utility Subsidiary Ledgers

Condition

The accounts receivable listing includes many old uncollectible accounts, causing the subsidiary ledgers to reflect a number much larger than the true receivable amount.

Criteria

Maintenance of subsidiary ledgers is a key component of an adequate system of internal control.

Effect

Material Weakness in internal controls.

Cause

Several years ago, the Town entered into a contract with a private water company which required the water company to operate all of the water system. Their requirements under this contract include the production of water, delivery of water, reading of meters, billing for water consumption, collection of water fees, and maintenance of customer billings. The Town accounts for the transactions in the general ledger, which is maintained by a private external CPA.

Recommendation

We recommend that the Town and the private contractor review, on a monthly basis, the subsidiary ledger to determine those accounts that need to be purged from the system. The uncollectable accounts should be removed by the contractor and, at the same time, the Town should make entries on the general ledgers.

Response

Management will work to correct this issue.

2018-2 Financial Statement (Compliance Finding)

Condition

The Town's audited financial statements were not completed and submitted to the Louisiana Legislative Auditor's office by the statutory date of December 31, 2018.

Criteria

To be in good standing with the Legislative Auditor, the audited financial statements should be completed and submitted to their office by December 31.

Effect

Material noncompliance relating to the financial statements.

Cause of Condition

Management was unable to have a complete set of books available in time for the external auditor to complete the audit by its due date.

Recommendation

We recommend that management have all necessary books and records available as soon as possible after year-end.

Response

Management will work closely with the external auditors to ensure that the audited financial statements are submitted to the Legislative Auditor by the statutory due date.

TOWN OF FERRIDAY, LOUISIANA
CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements: (continued)

2018-3 Compliance with Bond Covenants

Condition

The Town did not make monthly deposits of \$441 into the Contingency Fund as required by the bond indenture agreement.

Criteria

The contract the Town has with USDA requires that \$441 be deposited monthly into the Contingency Fund bank account.

Effect

The Town is not in compliance with the outstanding loan with USDA.

Cause

The Town overlooked the requirement for the deposits.

Recommendation

We recommend that monthly deposits of \$441 begin as soon as possible and the Town of Ferriday make deposits to replace those not made in previous months.

Response

Management will work to correct this issue.

2018-4 Safe Drinking Water Fees

Condition

The Town did not remit Safe Drinking Water Fee payments from the years 2002 to 2012.

Criteria

For this period, the Town should have remitted \$2.88 per service connection annually to the State.

Effect

The Town is not in compliance with the Safe Drinking Water Program under OPH.

Cause

The Town was not aware of the fees or the need for them to be remitted to the state.

Recommendation

We recommend that the Town pay the fees owed of approximately \$45,000.

Response

Management will work to correct this issue.

Section II – Internal Control and Compliance Material to Federal Awards:

None.

Section III – Management Letter:

None.

**SECTION VIII
AGREED-UPON PROCEDURES**



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

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

We have performed the procedures in the attached supplement, which were agreed to by the Town of Ferriday, Louisiana (the Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Town's management is responsible for those control and compliance areas identified in the SAUPs.

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

Our procedures and findings are included in the supplement to this report.

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

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

Silas Simmons, LLP

Natchez, Mississippi
March 5, 2019

TOWN OF FERRIDAY, LOUISIANA
 SUPPLEMENTAL SCHEDULE OF AGREED-UPON PROCEDURES AND FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2018

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
 - b) *Purchasing*, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.
 - c) *Disbursements*, including processing, reviewing, and approving.
 - d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) *Travel and Expense Reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
 - j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: We reviewed the written policies and procedures for the related functions listed above in the procedures. Through our review, we were able to verify that the Town has appropriate written policies and procedures for the related topics.

No exceptions noted for the above procedure.

Board or Finance Committee

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.
 - 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.
 - 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: We obtained a copy of the Town's minutes for the fiscal period. We reviewed the minutes to determine whether the managing board met on a frequency in accordance with the board's enabling legislation, charter, or equivalent document. We reviewed the minutes to determine whether they referenced or included monthly budget-to-actual comparisons. We obtained a copy of the prior year audit report and observed the unrestricted fund balance in the general fund as being negative.

During our review, we noted that the Town did not have monthly budget-to-actual comparisons. We observed that the Town has a negative ending unrestricted general fund balance and does not have a formal plan in place to eliminate the negative unrestricted fund balance.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings: We obtained a list of bank accounts from the list management gave for bank confirmations and had management identify the main operating bank account. We selected the main operating bank account and randomly selected four bank accounts. We obtained the related bank statements and randomly selected one month from the fiscal period to review whether bank reconciliations had been prepared within two months of the related statement closing date, included evidence of a member of management unrelated to the cash collection/disbursement processes had reviewed each bank reconciliation, and included documentation that management had researched reconciling items that had been outstanding for more than 12 months from that statement closing date.

During our review, we noted that there is no evidence of review by management on the bank statements or bank reconciliations.

Collections

4. Obtain a listing of deposit sites 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 five deposit sites (or all deposit sites if less than five).

Findings: We reviewed a listing of deposit sites for the fiscal period and management's representation that the listing is complete. The Town has only one deposit site.

No exceptions were noted for the above procedure.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five 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.
- 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.
- 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.
- 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, is not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings: We obtained a listing of collection locations and management's representation that the listing is complete. The Town has only one collection location at the one deposit site. We obtained written policies and procedures and inquired of management and employees to determine whether employees who are responsible for cash collections do not share cash drawers/registers, do not prepare/make bank deposits, and are not responsible for posting collection entries to the general ledger or subsidiary ledgers, and employees responsible for reconciling cash collections to the general ledger or subsidiary ledger(s) are not responsible for collecting cash.

No exceptions were noted for the above procedure.

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

Findings: We inquired of management to determine if they are covered by a bond or insurance policy for theft to determine that there is a blanket policy covering theft.

No exceptions were noted for the above procedure.

7. Randomly select two deposit dates for each of the five bank accounts selected for Procedure 3 under "Bank Reconciliations" (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). 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: We randomly selected two deposit dates for each of the five bank accounts selected under Procedure 3 and performed the procedures above by observing that receipts were sequentially pre-numbered and traced to collection documentation and the bank statements. We observed that deposits were made within one business day of receipt and that the deposits were traced from the bank statement to the general ledger.

No exceptions were noted for the above procedure.

Nonpayroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

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

Findings: We obtained a list of locations that process payments and management's representation that the listing is complete. The Town has one location for processing payments.

No exceptions were noted for the above procedure.

- 9. For each location selected under Procedure 8 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.
- b) At least two employees are involved in processing and approving payments to vendors.
- 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.
- 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: Using the Town's one location, we inquired of employees involved with non-payroll purchasing and payment functions and obtained written policies and procedures.

No exceptions were noted for the above procedure.

- 10. For each location selected under Procedure 8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five 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 #9, as applicable.

Findings: For each location from Procedure 8, we obtained the nonpayroll disbursement transaction population and management's representation that the population is complete. We randomly selected five disbursements and obtained the documentation that the disbursement matched the related original invoice and that the related documentation included evidence of segregation of duties tested under Procedure 9.

No exceptions were noted for the above procedure.

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

11. 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: We obtained a listing of all active cards from management and management's representation that the listing was complete. The Town has two accounts for cards.

12. Using the listing prepared by management, randomly select five cards (or all cards if less than five) 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.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Findings: We selected the monthly statements for the two accounts for one month randomly selected and observed that the statements were reviewed and approved.

During our review, we noted no evidence of management review on the statements, and we noted late fees had been assessed.

13. Using the monthly statements or combined statements selected under Procedure 12 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: For one of the statements, 10 transactions (or all transactions if less than 10) were selected and supporting documentation was obtained. Each transaction was supported by an original itemized receipt that identified what was purchased, written documentation of the business/public purpose, and documentation of individuals participating in meals for meal charges. One statement was excluded due to being for the Town's fuel cards.

During our review, we noted that receipts were not included for hotel room transactions and that the business purpose was not always documented, in writing, with the invoice.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration.
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (Procedure 1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: We obtained a listing of all travel and travel-related expense reimbursements during the fiscal period and obtained management's representation that the listing is complete. We randomly selected five reimbursements and obtained the supporting documentation to observe how the reimbursement was determined, what the purpose was, and if the reimbursement was approved appropriately.

During our review, we were not able to obtain all of the selected reimbursements and the supporting documentation; therefore, we were not able to complete the procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

The above procedures were not performed in the current year due to no exceptions in prior year testing.

Payroll and Personnel

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

Findings: We obtained a listing of employees and elected officials (employees) employed during the fiscal period and management's representation that the listing is complete. We randomly selected five employees from the list and obtained the related documents to agree salaries and pay rates.

No exceptions were noted for the above procedure.

17. Randomly select one pay period during the fiscal period. For the five employees/officials selected under Procedure 16, obtain attendance records and leave documentation for the pay period and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Findings: We randomly selected one pay period during the fiscal period. In the selected pay period, for the five employees selected in Procedure 16, we observed that the five employees documented their daily attendance and leave, had their attendance and leave approved by the appropriate person, and had their leave appropriately reflected in the entity's cumulative leave records.

No exceptions were noted for the above procedure.

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

Findings: We obtained a listing of employees that received termination payments during the fiscal period and management's representation that the listing is complete. The Town did not pay termination payments during the fiscal period.

No exceptions were noted for the above procedure.

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

Findings: We obtained documentation to observe that employer and employee portions were paid and associated forms had been filed and obtained management's representation about the information.

During our review, we noted that deadlines were missed in relation to taxes and premiums. We obtained management's representation that forms were caught up during the year and then made on time.

Ethics

20. Using the five randomly selected employees/officials from Procedure 16 under "Payroll and Personnel," obtain ethics documentation from management and:
- Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings: For the five employees selected from Procedure 16, we observed documentation that demonstrates each employee completed one hour of ethics training during the fiscal period and documentation that demonstrates each employee attested through signature verification that he or she has read the Town's ethics policy during the fiscal period.

During our review, we noted that two employees did not have their ethics training certificate, and three employees had not signed to verify they had read the Town's ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Findings: We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete.

No exceptions were noted for the above procedure.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Findings: We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We inspected the debt covenants and obtained confirmations in the course of the audit on the Town.

During our review, we noted that the Town was behind in keeping up debt covenants for the debt reserve until April 2018.

Other

23. 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 entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The above procedure was not performed in the current year due to no exceptions in prior year testing.

24. Observe that the entity 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.

The above procedure was not performed in the current year due to no exceptions in prior year testing.

TOWN OF FERRIDAY, LOUISIANA
 SCHEDULE OF EXCEPTIONS
 FOR THE YEAR ENDED JUNE 30, 2018

<u>Reference No.</u>	<u>Description of Exception</u>
<u>Board or Finance Committee</u>	
Procedure 2b	There were no monthly budget-to-actual comparisons.
Procedure 2c	There is not a plan in place to eliminate the negative unrestricted fund balance in the general fund.
<u>Bank Reconciliations</u>	
Procedure 3b	Bank reconciliations did not contain evidence of management review.
<u>Credit Cards/Debit Cards/Fuel Cards/P-Cards</u>	
Procedure 12a	Monthly statements did not contain evidence of management review.
Procedure 12b	A late fee was assessed on the month selected for one statement and paid in the next month.
Procedure 13	Invoices were missing for hotel rooms, and the business purpose was not always documented in writing.
<u>Travel and Expense Reimbursement</u>	
Procedure 14	Some of the selected reimbursements were not found.
<u>Payroll and Personnel</u>	
Procedure 19	Payments and forms were not always paid on time during the fiscal year before March.
<u>Ethics</u>	
Procedure 20	Two employees did not have their ethics training certificate, and three employees had not signed to verify they had read the Town's ethics policy.
<u>Debt Service</u>	
Procedure 22	The Town was behind in keeping up debt covenants for debt reserve until April.