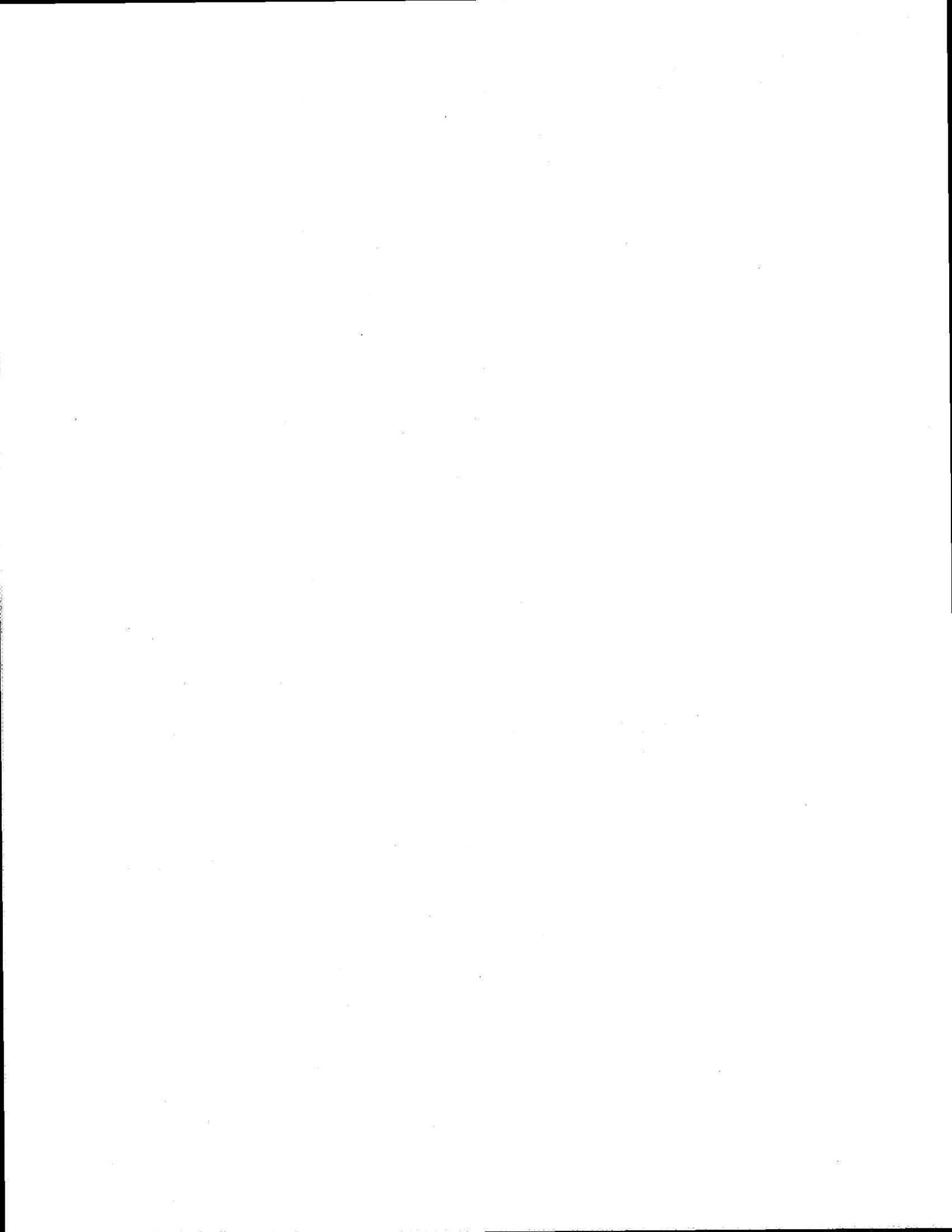


TOWN OF FERRIDAY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 2012
AND FOR THE YEAR THEN ENDED
WITH
INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS



TOWN OF FERRIDAY, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2012
With Supplemental Information Schedules

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TOWN OF FERRIDAY, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2012
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Mayor and the Board of Aldermen
Town of Ferriday, Louisiana

We have audited the accompanying financial statements of the governmental activities, business 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, 2012, which collectively comprise the Town's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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. 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

We were unable to determine the correct amount of water consumption for the year and the related amounts of water and sewer that should have been billed to customers in the business-type activities and the water and sewer funds. The mathematical calculations that the Town of Ferriday uses in its computation of water consumption does not allow for the billing of correct utility fees according to the water and sewer rate schedule approved by the Town.

The amount by which these calculations would affect the assets, net position, and revenue in the business-type activities and the water and sewer funds is not reasonably determinable.

In our opinion, except for the effects, if any, of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the water and sewer funds of the Town of Ferriday, Louisiana, as of June 30, 2012, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the basic government financial statements referred to above present fairly, in all material respects, the respective position of the governmental activities, the general fund, the general obligation bond fund, the street construction fund, the LCDBG water intake fund, the sewer treatment fund, and the aggregate remaining fund information of the Town of Ferriday as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 34 through 35 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, 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 Town's members of the Board of Aldermen of the Town of Ferriday, 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, CPA

Natchez, Mississippi
June 24, 2013

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012 and 2011. 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 2012 and 2011, the Town of Ferriday's net position decreased in 2012, which resulted in ending net position of \$6,285,863 and increased in 2011 and resulted in ending net position of \$6,485,125.

1. The beginning cash balance at June 30, 2010, for the Town of Ferriday was \$1,136,796. The ending cash balance was \$1,055,619 as of June 30, 2011, and \$661,502 at June 30, 2012.
2. The governmental activities had \$2,783,142 in revenues in 2012 and \$2,342,972 in revenues for 2011, which primarily consisted of sales taxes, property taxes, occupational license taxes, franchise taxes, and fines. There was \$2,301,150 in governmental expenses in 2012, and \$2,372,147 in 2011.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Ferriday'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 and liabilities, 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 8-9 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 10-17 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 18-33 of this report.

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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 \$6,285,863 as of June 30, 2012.

Net Position for the Periods Ending June 30, 2012 and 2011

The current year's and the year's just previous financial statements are dramatically different from past years as a result of implementing GASB 34. Comparative statements are presented below.

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
Current assets	\$ 285,508	\$ 728,879	\$ 1,014,387	\$ 1,402,678
Noncurrent assets	2,673,549	6,077,310	8,750,859	8,668,617
Total assets	\$ 2,959,057	\$ 6,806,189	\$ 9,765,246	\$ 10,071,295
Current liabilities	\$ 940,539	\$ 520,343	\$ 1,460,882	\$ 1,205,045
Noncurrent liabilities	411,890	1,606,611	2,018,501	2,381,125
Total liabilities	\$ 1,352,429	\$ 2,126,954	\$ 3,479,383	\$ 3,586,170
Net position				
Investment in capital assets, net of related debt	\$ 2,110,849	\$ 4,249,825	\$ 6,360,674	\$ 5,954,210
Restricted for customer deposits	-	65,137	65,137	60,498
Restricted for debt service	134,027	161,709	295,736	372,921
Restricted for capital projects	9,095	254,844	263,939	253,015
Unrestricted (deficit)	(647,343)	(52,280)	(699,623)	(155,519)
Total net position	\$ 1,606,628	\$ 4,679,235	\$ 6,285,863	\$ 6,485,125

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

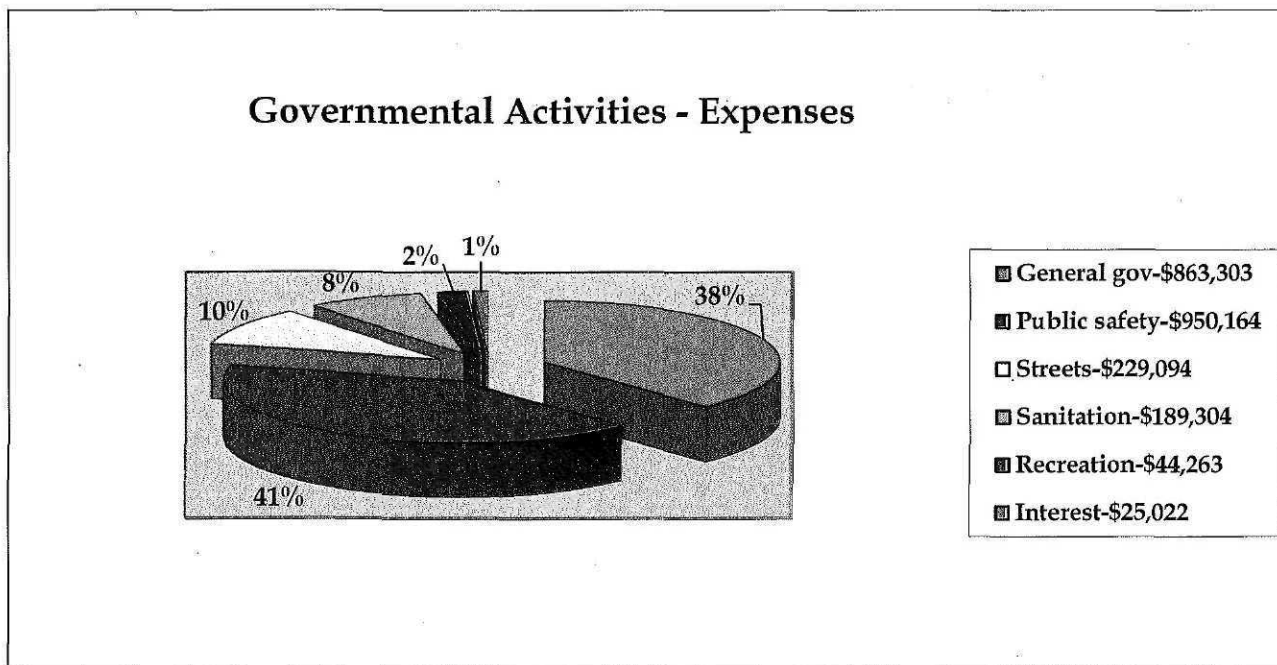
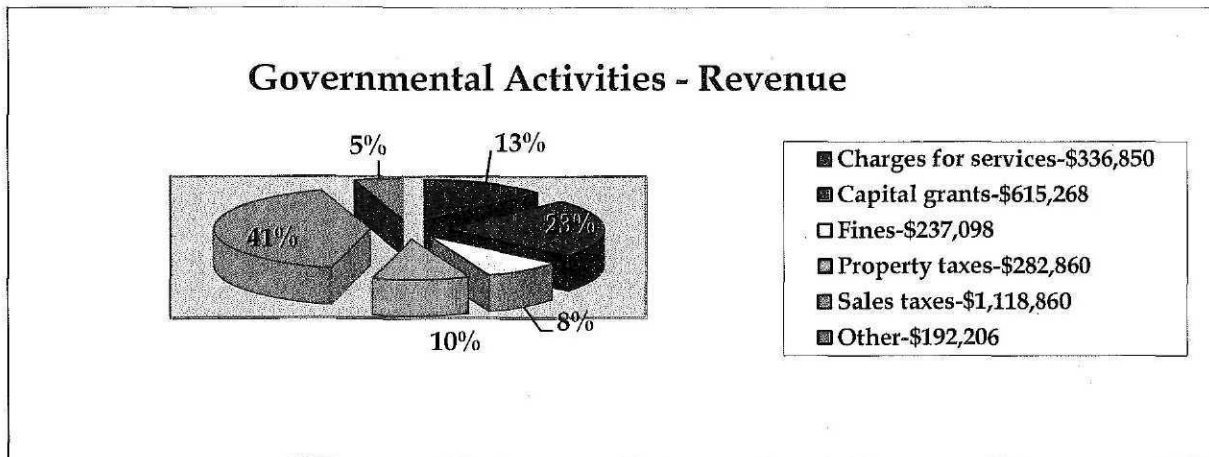
	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
Revenue:				
Program revenue	\$ 2,783,142	\$ 997,637	\$ 3,780,779	\$ 4,805,675
Transfers	(370,810)	370,810	-	-
Total revenue and transfers	\$ 2,412,332	\$ 1,368,447	\$ 3,780,779	\$ 4,805,675
Expenses:				
General and administrative	\$ 863,303	\$ -	\$ 863,303	\$ 768,653
Public safety	950,164	-	950,164	993,962
Streets	229,094	-	229,094	283,777
Sanitation	189,304	-	189,304	262,826
Recreation	44,263	-	44,263	32,270
Interest expense	25,022	-	25,022	30,659
Utility operations	-	1,678,891	1,678,891	1,280,766
Total expenses	\$ 2,301,150	\$ 1,678,891	\$ 3,980,041	\$ 3,652,913
(Decrease) increase in net position	\$ 111,182	\$ (310,444)	\$ (199,262)	\$ 1,152,762
Net position, July 1	1,495,446	4,989,679	6,485,125	5,332,363
Net position, June 30	\$ 1,606,628	\$ 4,679,235	\$ 6,285,863	\$ 6,485,125

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following are a graphical representation 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

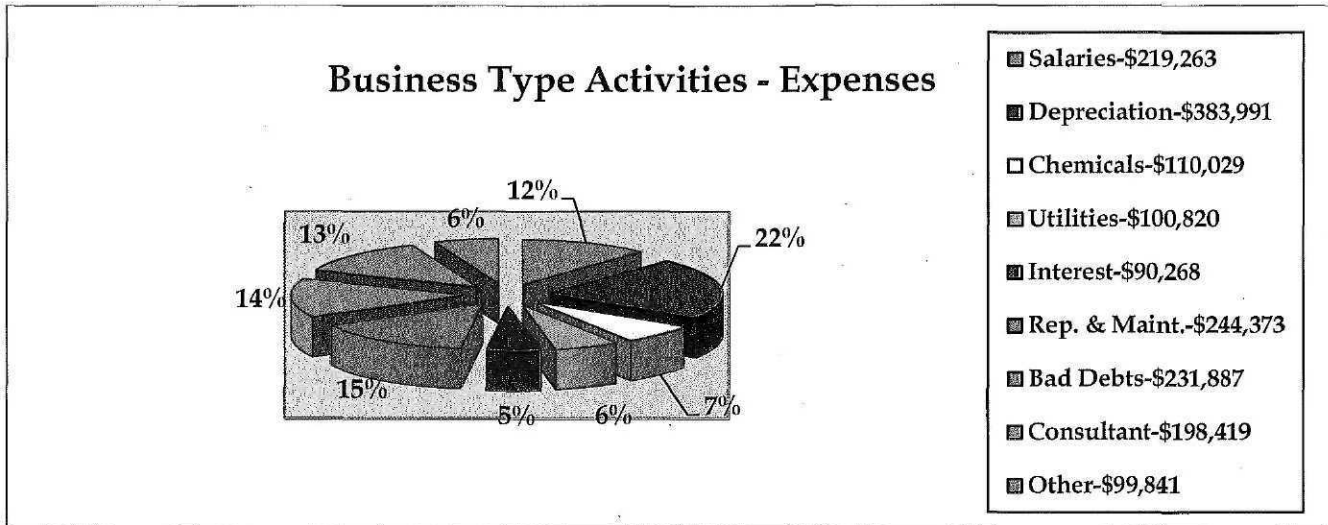
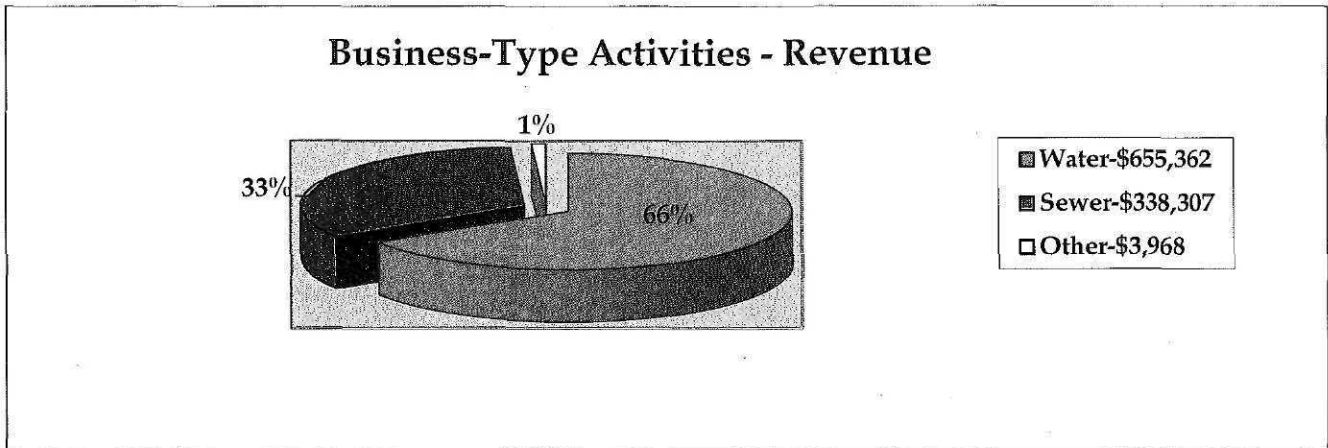
JUNE 30, 2012

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, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Comments on General Fund Budget Comparisons

The Town's budget was not amended during the last year. Expenditures were \$3,099,382 in the budget and revenue was budgeted at \$3,288,232.

Actual expenditures were less than budgeted amounts by \$334,777 and actual revenue was \$508,376 less than the budgeted amounts.

CAPITAL ASSETS

As of June 30, 2012, the Town had a net of \$2,673,549 invested in capital assets in the general government fund and \$6,077,310 in the proprietary fund. This year there were additions of \$630,696 in the general government fund and \$46,312 in the proprietary fund. The following capital assets were purchased in the fiscal year ended June 30, 2012:

General government additions:

Tool box set	\$ 1,395
Haney's Big House (in progress)	<u>629,301</u>
Total	<u>\$ 630,696</u>

Proprietary fund additions:

Sewer plant rehabilitation	\$ 41,562
Water system (in progress)	<u>4,750</u>
Total	<u>\$ 46,312</u>

MANAGEMENT'S REPORT

The main focus of activity for the Town of Ferriday for the fiscal year ended June 30, 2012, continues to be water system operations and improvements. The next phase of water system upgrades will include new water meters and a new billing system so that the Town of Ferriday can bill and collect for all the water that is being used by its residents. The future plan of improvement in the water system includes the construction of a new, ground water treatment plan, which is now in the funding phase. The Town has implemented new, stringent collection procedures in the water department which has made a significant impact upon the Town's cash flow in the waterworks fund.

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 Tamiko Hines, Town Clerk, 1116 Second Street, Ferriday, Louisiana 71334, (318) 757-3411.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF NET POSITION

JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 51,968	\$ 26,722	\$ 78,690
Receivables (net of allowances for uncollectible amounts)	132,418	220,467	352,885
Restricted assets	101,122	481,690	582,812
Capital assets (net)	<u>2,673,549</u>	<u>6,077,310</u>	<u>8,750,859</u>
Total assets	<u>\$ 2,959,057</u>	<u>\$ 6,806,189</u>	<u>\$ 9,765,246</u>
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	\$ 777,005	\$ 174,800	\$ 951,805
Accrued compensated absences	6,858	2,154	9,012
Customer deposits	-	110,048	110,048
Accrued interest payable	5,866	12,467	18,333
Long-term liabilities			
Due within one year	150,810	220,874	371,684
Due in more than one year	<u>411,890</u>	<u>1,606,611</u>	<u>2,018,501</u>
Total liabilities	<u>\$ 1,352,429</u>	<u>\$ 2,126,954</u>	<u>\$ 3,479,383</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 2,110,849	\$ 4,249,825	\$ 6,360,674
Restricted for:			
Customer deposits	-	65,137	65,137
Debt service	134,027	161,709	295,736
Capital projects	9,095	254,844	263,939
Unrestricted (deficit)	<u>(647,343)</u>	<u>(52,280)</u>	<u>(699,623)</u>
Total net position	<u>\$ 1,606,628</u>	<u>\$ 4,679,235</u>	<u>\$ 6,285,863</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, 2012

	Program Revenues			Net (Expenses), Revenues and Changes		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<u>GOVERNMENTAL ACTIVITIES</u>						
General government	\$ 863,303	\$ 336,850	\$ 615,268	\$ 88,815	\$ -	\$ 88,815
Public safety	950,164	237,098	-	(713,066)	-	(713,066)
Streets	229,094	-	-	(229,094)	-	(229,094)
Sanitation	189,304	-	-	(189,304)	-	(189,304)
Recreation	44,263	-	-	(44,263)	-	(44,263)
Interest on long-term debt	25,022	-	-	(25,022)	-	(25,022)
Total governmental activities	<u>\$ 2,301,150</u>	<u>\$ 573,948</u>	<u>\$ 615,268</u>	<u>\$ (1,111,934)</u>	<u>\$ -</u>	<u>\$ (1,111,934)</u>
<u>BUSINESS-TYPE ACTIVITIES</u>						
Water	\$ 1,181,594	\$ 655,362	\$ -	\$ -	\$ (526,232)	\$ (526,232)
Sewer	497,297	338,307	-	-	(158,990)	(158,990)
Total business-type activities	<u>\$ 1,678,891</u>	<u>\$ 993,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (685,222)</u>	<u>\$ (685,222)</u>
Total	<u>\$ 3,980,041</u>	<u>\$ 1,567,617</u>	<u>\$ 615,268</u>	<u>\$ (1,111,934)</u>	<u>\$ (685,222)</u>	<u>\$ (1,797,156)</u>
General Revenues:						
Taxes						
Property taxes			\$ 282,860	\$ -	\$ -	\$ 282,860
Sales taxes			1,118,860	-	-	1,118,860
Other taxes			124,747	-	-	124,747
Interest income			1,696	3,968	-	5,664
Other			65,763	-	-	65,763
Transfers			(370,810)	370,810	-	-
Total general revenues and transfers			<u>\$ 1,223,116</u>	<u>\$ 374,778</u>		<u>\$ 1,597,894</u>
Change in net position			\$ 111,182	\$ (310,444)		\$ (199,262)
Net position - beginning of year			<u>1,495,446</u>	<u>4,989,679</u>		<u>6,485,125</u>
Net position - end of year			<u>\$ 1,606,628</u>	<u>\$ 4,679,235</u>		<u>\$ 6,285,863</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

TOWN OF FERRIDAY, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2012

	Major Funds					Total
	General Fund	General Obligation Bond Fund	Street Construction Fund	LCDBG Water Intake Fund	Sewer Treatment Fund	
ASSETS						
Cash	\$ 51,968	\$ -	\$ -	\$ -	\$ -	\$ 51,968
Cash - restricted	-	92,027	9,083	10	2	101,122
Accounts receivable (net of allowance for uncollectibles)	132,418	-	-	-	-	132,418
Due from other funds	-	42,000	-	-	-	42,000
Total assets	<u>\$ 184,386</u>	<u>\$ 134,027</u>	<u>\$ 9,083</u>	<u>\$ 10</u>	<u>\$ 2</u>	<u>\$ 327,508</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts, salaries, and other payables	\$ 777,005	\$ -	\$ -	\$ -	\$ -	\$ 777,005
Due to other funds	42,000	-	-	-	-	42,000
Total liabilities	<u>\$ 819,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819,005</u>
Fund balances:						
Restricted for:						
Debt service	\$ -	\$ 134,027	\$ -	\$ -	\$ -	\$ 134,027
Capital projects	-	-	9,083	10	2	9,095
Unassigned, reported in:						
General fund (deficit)	(634,619)	-	-	-	-	(634,619)
Total fund balances	<u>\$ (634,619)</u>	<u>\$ 134,027</u>	<u>\$ 9,083</u>	<u>\$ 10</u>	<u>\$ 2</u>	<u>\$ (491,497)</u>
Total liabilities and fund balances	<u>\$ 184,386</u>	<u>\$ 134,027</u>	<u>\$ 9,083</u>	<u>\$ 10</u>	<u>\$ 2</u>	<u>\$ 327,508</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, 2012

Fund balances - total governmental funds (Statement C) (deficit) \$ (491,497)

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	\$ 5,668,408	
Less accumulated depreciation	<u>(2,994,859)</u>	2,673,549

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds:

Long-term liabilities	(569,558)
Accrued interest on bonds	<u>(5,866)</u>

Net position of governmental activities (Statement A) \$ 1,606,628

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, 2012

	Major Funds					Total
	General Fund	General Obligation Bond Fund	Street Construction Fund	LCDBG Water Intake Fund	Sewer Treatment Fund	
REVENUE						
Taxes	\$ 1,394,157	\$ 132,310	\$ -	\$ -	\$ -	\$ 1,526,467
Licenses and permits	115,381	-	-	-	-	115,381
Intergovernmental						
Federal grants	-	-	-	4,750	41,562	46,312
State funds	568,956	-	-	-	-	568,956
Charges for services	221,469	-	-	-	-	221,469
Fines	237,098	-	-	-	-	237,098
Miscellaneous	65,763	-	-	-	-	65,763
Total revenue	<u>\$ 2,602,824</u>	<u>\$ 132,310</u>	<u>\$ -</u>	<u>\$ 4,750</u>	<u>\$ 41,562</u>	<u>\$ 2,781,446</u>
EXPENDITURES						
Current:						
General government and administration	\$ 800,623	\$ -	\$ -	\$ -	\$ -	\$ 800,623
Public safety						
Police	696,105	-	-	-	-	696,105
Fire	174,717	-	-	-	-	174,717
Streets	160,341	-	-	-	-	160,341
Sanitation	189,304	-	-	-	-	189,304
Recreation	44,263	-	-	-	-	44,263
Capital outlays	630,696	-	-	4,750	41,562	677,008
Debt service						
Principal	39,111	105,000	-	-	-	144,111
Interest	4,974	21,275	-	-	-	26,249
Total expenditures	<u>\$ 2,740,134</u>	<u>\$ 126,275</u>	<u>\$ -</u>	<u>\$ 4,750</u>	<u>\$ 41,562</u>	<u>\$ 2,912,721</u>

- continued -

TOWN OF FERRIDAY, LOUISIANA

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

FOR THE YEAR ENDED JUNE 30, 2012

	Major Funds					Total
	General Fund	General Obligation Bond Fund	Street Construction Fund	LCDBG Water Intake Fund	Sewer Treatment Fund	
Excess of revenue over (under) expenditures	\$ (137,310)	\$ 6,035	\$ -	\$ -	\$ -	\$ (131,275)
Other financing sources and uses						
Interest income	\$ 1,056	\$ 640	\$ -	\$ -	\$ -	\$ 1,696
Transfers in	59,756	-	-	-	-	59,756
Transfers out	(364,254)	-	(20,000)	-	-	(384,254)
Total other financing sources and (uses)	\$ (303,442)	\$ 640	\$ (20,000)	\$ -	\$ -	\$ (322,802)
Net changes in fund balances	\$ (440,752)	\$ 6,675	\$ (20,000)	\$ -	\$ -	\$ (454,077)
Fund balances - beginning of year	(193,867)	127,352	29,083	10	2	(37,420)
Fund balances - end of year (deficit)	\$ (634,619)	\$ 134,207	\$ 9,083	\$ 10	\$ 2	\$ (491,497)

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, 2012

Net change in fund balances, total governmental funds, (Statement E) \$ (454,077)

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	\$	677,008	
Depreciation expense		<u>(210,775)</u>	466,233

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments. 144,111

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

Decrease in accrued interest on long-term liabilities	1,227
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Governmental funds report capital outlays as expenditures. However, in the capital projects fund, expenditures for water and sewer plant construction were transferred to the proprietary fund.

Capital outlay transferred to proprietary fund	<u>(46,312)</u>
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Changes in net position governmental funds, (Statement B)	<u>\$ 111,182</u>
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The accompanying notes are an integral part of this financial statement.

PROPRIETARY FUNDS

TOWN OF FERRIDAY, LOUISIANA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2012

ASSETS	Major Funds		Total
	Water Fund	Sewer Fund	
Current assets			
Cash	\$ 23,347	\$ 3,375	\$ 26,722
Accounts receivable, utility sales (net of allowance of \$657,249 and \$425,362, respectively)	174,683	45,784	220,467
Total current assets	\$ 198,030	\$ 49,159	\$ 247,189
Noncurrent assets			
Restricted assets:			
Plant construction	\$ 254,844	\$ -	\$ 254,844
Bond debt service reserve fund	32,436	105,521	137,957
Bond sinking fund	67	-	67
Depreciation fund	-	23,685	23,685
Consumer deposits	65,137	-	65,137
Total restricted assets	\$ 352,484	\$ 129,206	\$ 481,690
Noncurrent assets			
Capital assets:			
Property, plant, and equipment	\$ 6,825,053	\$ 7,213,244	\$ 14,038,297
Less accumulated depreciation	(3,776,524)	(4,184,463)	(7,960,987)
Total capital assets	\$ 3,048,529	\$ 3,028,781	\$ 6,077,310
Total assets	\$ 3,599,043	\$ 3,207,146	\$ 6,806,189
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts, salaries, and other payables	\$ 149,554	\$ 25,246	\$ 174,800
Accrued compensated absences	1,912	242	2,154
Total current liabilities (payable from current assets)	\$ 151,466	\$ 25,488	\$ 176,954
Current liabilities (payable from restricted assets)			
Customer deposits	\$ 110,048	\$ -	\$ 110,048
Notes payable, current portion	164,212	56,662	220,874
Accrued interest payable	10,565	1,902	12,467
Total current liabilities (payable from restricted assets)	\$ 284,825	\$ 58,564	\$ 343,389
Long-term liabilities			
Notes payable	\$ 671,612	\$ 934,999	\$ 1,606,611
Total liabilities	\$ 1,107,903	\$ 1,019,051	\$ 2,126,954
NET POSITION			
Invested in capital assets, net of related debt	\$ 2,212,705	\$ 2,037,120	\$ 4,249,825
Restricted for capital projects	254,844	-	254,844
Restricted for customer deposits	65,137	-	65,137
Restricted for debt service	32,503	129,206	161,709
Unrestricted (deficit)	(74,049)	21,769	(52,280)
Total net position	\$ 2,491,140	\$ 2,188,095	\$ 4,679,235

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, 2012

	Major Funds		Total
	Water Fund	Sewer Fund	
Operating revenue			
Utility sales	\$ 654,145	\$ 336,247	\$ 990,392
Tap fees	750	1,500	2,250
Other income	467	560	1,027
Total operating revenue	<u>\$ 655,362</u>	<u>\$ 338,307</u>	<u>\$ 993,669</u>
Operating expenses			
Salaries	\$ 175,593	\$ 18,538	\$ 194,131
Payroll taxes and retirement	22,374	2,758	25,132
Utilities	62,477	38,343	100,820
Chemicals and supplies	74,497	35,532	110,029
Repairs and maintenance	224,634	19,739	244,373
Consultant fees	140,352	58,067	198,419
Telephone	2,210	2,028	4,238
Truck and fuel	20,003	17,548	37,551
Bad debts	212,320	19,567	231,887
Office expense and postage	17,081	179	17,260
Depreciation	173,833	210,158	383,991
Other operating expenses	12,173	28,619	40,792
Total operating expenses	<u>\$ 1,137,547</u>	<u>\$ 451,076</u>	<u>\$ 1,588,623</u>
Net (loss) from operations	<u>\$ (482,185)</u>	<u>\$ (112,769)</u>	<u>\$ (594,954)</u>
Nonoperating revenue and expenses			
Interest income	\$ 3,232	\$ 736	\$ 3,968
Interest expense	(44,047)	(46,221)	(90,268)
Total nonoperating revenue and expenses	<u>\$ (40,815)</u>	<u>\$ (45,485)</u>	<u>\$ (86,300)</u>
Income (loss) before transfers	<u>\$ (523,000)</u>	<u>\$ (158,254)</u>	<u>\$ (681,254)</u>
Other financing sources (uses)			
Transfers out	\$ -	\$ (39,756)	\$ (39,756)
Transfers in	369,004	41,562	410,566
Total other financing sources (uses)	<u>\$ 369,004</u>	<u>\$ 1,806</u>	<u>\$ 370,810</u>
Change in net position (loss)	<u>\$ (153,996)</u>	<u>\$ (156,448)</u>	<u>\$ (310,444)</u>
Total net position - beginning of year	<u>2,645,136</u>	<u>2,344,543</u>	<u>4,989,679</u>
Total net position - end of year	<u>\$ 2,491,140</u>	<u>\$ 2,188,095</u>	<u>\$ 4,679,235</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, 2012

	Major Funds		Total
	Water Fund	Sewer Fund	
<u>Cash Flows From Operating Activities</u>			
Cash received from customers	\$ 432,396	\$ 324,469	\$ 756,865
Cash paid to suppliers and employees	(645,381)	(208,231)	(853,612)
Net cash provided by (used for) operating activities	\$ (212,985)	\$ 116,238	\$ (96,747)
<u>Cash Flows From Noncapital Financing Activities</u>			
Transfers from other funds	\$ 364,254	\$ (39,756)	\$ 324,498
Increase in customer deposits	4,801	-	4,801
Net cash provided by (used for) noncapital financing activities	\$ 369,055	\$ (39,756)	\$ 329,299
<u>Cash Flows From Capital And Related Financing Activities</u>			
Principal paid on notes payable	\$ (121,540)	\$ (58,571)	\$ (172,817)
Interest paid on notes payable	(44,084)	(46,621)	(97,999)
Interest income	3,232	736	3,968
Net cash (used for) financing activities	\$ (162,392)	\$ (104,456)	\$ (266,848)
Net (decrease) in cash	\$ (6,322)	\$ (27,974)	\$ (34,296)
Cash at beginning of year	382,153	160,555	542,708
Cash at end of year	\$ 375,831	\$ 132,581	\$ 508,412
<u>Reconciliation of Operating (Loss) to Net Cash (used for):</u>			
Operating (loss)	\$ (482,185)	\$ (112,769)	\$ (594,954)
<u>Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (used for) Operating Activities</u>			
Depreciation	173,833	210,158	383,991
Change in assets and liabilities			
(Increase) decrease in accounts receivable	(10,646)	5,729	(4,917)
Increase in accounts payable	106,013	13,120	119,133
Net cash provided by (used for) operating activities	\$ (212,985)	\$ 116,238	\$ (96,747)

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, 2012

INTRODUCTION

The Town of Ferriday 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 is located in the northeastern portion of Concordia Parish, Louisiana.
5. The population of Ferriday was 3,698 on July 1, 2005, according to Louisiana Tech University.
6. The Town of Ferriday had 44 employees as of June 30, 2012.
7. The Town of Ferriday had approximately 1,400 utility customers as of June 30, 2012. The customers consisted of 1,250 residential customers and 150 commercial customers.

GASB Statement No. 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 No. 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, 2012

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Sewer Treatment Fund accounts for sewer treatment improvements. This construction is funded by a grant under LCDBG contract No. 686131.

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 sales 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, 2012

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	13.99 mills
General Obligation Bond Fund	12.00 mills

The following is the only principal taxpayer paying more than 5% of the total ad valorem tax:

	Assessed Valuation	Assessed Valuation	Ad Valorem Tax
Concordia Bank	\$ 807,760	7%	\$ 21,003

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, 2012, certain assets of the Town of Ferriday, Louisiana, have been restricted for debt service and customers' deposits as follows:

	<u>Proprietary Funds</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
Restricted for construction	\$ 254,844	\$ -
Restricted for debt service	32,503	129,206
Restricted for customer deposits	65,137	-
	<u>\$ 352,484</u>	<u>\$ 129,206</u>

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 No. 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 eighty 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 No. 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Compensated Absences (continued)

GASB Statement No. 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. Measurement Focus/Basis of Accounting

Fund Equity

Beginning with fiscal year 2011, 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

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Measurement Focus/Basis of Accounting (continued)

Fund Equity (continued)

- 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
- 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 reflect 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 No. 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.

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.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Extraordinary and Special Items

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

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 the 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 to 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 \$2,764,605 was less than budgeted expenditures of \$3,099,382 by \$334,777.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 - CASH AND CASH EQUIVALENTS

At June 30, 2012, the Town has cash and cash equivalents (book balances) as follows:

Demand deposits	\$	316,020	
Interest bearing demand deposits		313,047	
Time deposits		<u>32,435</u>	
	\$	<u>661,502</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, 2012, the municipality had \$822,549 in deposits (collected bank balances). These deposits are secured from risk by \$822,549 of federal deposit insurance.

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 \$352,885 at June 30, 2012, are as follows:

Governmental funds			
Garbage collection fees		\$	94,017
Sales tax			92,126
Fines			7,500
Less allowance for doubtful accounts			<u>(61,225)</u>
Total governmental funds		\$	<u>132,418</u>
Proprietary funds			
Water billings	\$	671,939	
Less allowance for doubtful accounts		<u>(497,256)</u>	\$ 174,683
Sewer billings	\$	205,777	
Less allowance for doubtful accounts		<u>(159,993)</u>	<u>45,784</u>
Total		\$	<u>352,885</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, 2012

NOTE 6 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2012, is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 173,954	\$ -	\$ -	\$ 173,954
Total capital assets not being depreciated	<u>\$ 173,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,954</u>
Capital assets being depreciated				
Buildings	\$ 1,779,186	\$ 629,301	\$ -	\$ 2,408,487
Vehicles	1,419,038	-	-	1,419,038
Machinery and equipment	681,410	1,395	-	682,805
Streets	984,124	-	-	984,124
Total capital assets being depreciated	<u>\$ 4,863,758</u>	<u>\$ 630,696</u>	<u>\$ -</u>	<u>\$ 5,494,454</u>
Less accumulated depreciation for				
Buildings	\$ (874,763)	\$ (46,863)	\$ -	\$ (921,626)
Vehicles	(980,554)	(93,151)	-	(1,073,705)
Machinery and equipment	(601,439)	(13,585)	-	(615,024)
Streets	(327,328)	(57,176)	-	(384,504)
Total accumulated depreciation	<u>\$ (2,784,084)</u>	<u>\$ (210,775)</u>	<u>\$ -</u>	<u>\$ (2,994,859)</u>
Total capital assets being depreciated, net	<u>\$ 2,079,674</u>	<u>\$ 419,921</u>	<u>\$ -</u>	<u>\$ 2,499,595</u>
Governmental activities capital assets, net	<u>\$ 2,253,628</u>	<u>\$ 419,921</u>	<u>\$ -</u>	<u>\$ 2,673,549</u>
Business-type activities:				
Capital assets being depreciated				
Water systems lines and equipment	\$ 6,820,303	\$ 4,750	\$ -	\$ 6,825,053
Sewer systems lines and equipment	7,171,682	41,562	-	7,213,244
Total capital assets being depreciated	<u>\$ 13,991,985</u>	<u>\$ 46,312</u>	<u>\$ -</u>	<u>\$ 14,038,297</u>
Less accumulated depreciation:				
Water systems lines and equipment	\$ (3,602,691)	\$ (173,833)	\$ -	\$ (3,776,524)
Sewer systems lines and equipment	(3,974,305)	(210,158)	-	(4,184,463)
Total accumulated depreciation	<u>\$ (7,576,996)</u>	<u>\$ (383,991)</u>	<u>\$ -</u>	<u>\$ (7,960,987)</u>
Business-type activities capital assets, net	<u>\$ 6,414,989</u>	<u>\$ (337,679)</u>	<u>\$ -</u>	<u>\$ 6,077,310</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 62,680
Police	59,077
Fire	20,265
Streets	68,753
Total depreciation	<u>\$ 210,775</u>

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transfers at June 30, 2012:

<u>Transfers in</u>	<u>Transfers out</u>		
General fund	Sewer fund	\$	39,756
Water fund	General fund		364,254
General fund	Street construction fund		<u>20,000</u>
		\$	<u>424,010</u>

NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES

Accounts, salaries, and other payables at June 30, 2012, are as follows:

	<u>Proprietary Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
Accounts	\$ 759,970	\$ 149,042	\$ 25,005	\$ 934,017
Payroll taxes	10,105	-	-	10,105
Salaries	5,914	512	241	6,667
Other	1,016	-	-	1,016
Total	<u>\$ 777,005</u>	<u>\$ 149,554</u>	<u>\$ 25,246</u>	<u>\$ 951,805</u>

NOTE 9 - CAPITAL LEASES

The Municipality records items under capital leases as an asset and obligation in the accompanying financial statements. The net book value of equipment recorded under capital leases in governmental activities in the statement of net position is \$153,960.

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2012:

	<u>Year Ended</u>		
	2013	\$	44,459
	2014		<u>43,046</u>
Net minimum lease payments		\$	87,505
Less amounts representing interest			<u>(4,805)</u>
Present value of minimum lease payments		\$	<u>82,700</u>

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - 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, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Capital leases	\$ 121,811	\$ -	\$ 39,111	\$ 82,700	\$ 40,810
General obligation Bonds	585,000	-	105,000	480,000	110,000
Compensated absences	6,858	-	-	6,858	6,858
Total	<u>\$ 713,669</u>	<u>\$ -</u>	<u>\$ 144,111</u>	<u>\$ 569,558</u>	<u>\$ 157,668</u>

Bonds payable at June 30, 2012, are comprised of the following:

General Obligation Bonds - \$1,280,000 in General Obligation Bonds due in annual installments of \$105,000 to \$130,000 through March 1, 2016, bearing interest at a rate of 4.5%.	<u>\$ 480,000</u>
--	-------------------

The annual requirements to amortize the General Obligation Bonds as of June 30, 2012, are as follows:

Year Ended	General Obligation Bonds		Total
	Principal	Interest	
2013	\$ 110,000	\$ 17,600	\$ 127,600
2014	115,000	13,640	128,640
2015	125,000	9,500	134,500
2016	130,000	4,875	134,875
	<u>\$ 480,000</u>	<u>\$ 45,615</u>	<u>\$ 525,615</u>

The following is a summary of the business-type activities long-term liabilities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Water	\$ 957,364	\$ -	\$ 121,540	\$ 835,824	\$ 164,212
Sewer	1,050,232	-	58,571	991,661	56,662
Total	<u>\$ 2,007,596</u>	<u>\$ -</u>	<u>\$ 180,111</u>	<u>\$ 1,827,485</u>	<u>\$ 220,874</u>

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (continued)

Bonds payable at June 30, 2012, are comprised of the following:

Series 2002:

Water Revenue Bonds - \$1,503,000 in revenue bonds due in monthly installments totaling \$163,524 annually through June 14, 2015, bearing interest at a rate of 5.5%.

\$ 465,874

Series 2009:

Water Revenue Bonds - \$750,000 in revenue bonds due in semi-annual installments totaling \$21,693 to \$98,965 annually through July 24, 2024, bearing interest at a rate of 4 ¼% to 5 ¼%.

369,950

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%.

991,661

Total

\$ 1,827,485

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 2009 \$750,000		\$1,800,000	
	Water Revenue Bonds		Water Revenue Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 155,212	\$ 21,357	\$ 9,000	\$ 19,186	\$ 56,662	\$ 48,530
2014	150,191	13,338	9,000	18,174	59,561	45,631
2015	157,848	4,870	10,000	18,215	62,609	42,583
2016	2,623	12	38,000	16,955	65,811	39,380
2017	-	-	60,000	14,382	69,178	36,014
Thereafter	-	-	243,950	23,878	677,840	143,906
	<u>\$ 465,874</u>	<u>\$ 39,577</u>	<u>\$ 369,950</u>	<u>\$ 110,790</u>	<u>\$ 991,661</u>	<u>\$ 356,044</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 - Series 2002

1. The Town shall maintain a reserve fund into which monthly deposits of \$997 will be made. The reserve fund balance was \$32,436 at June 30, 2012. Deposits are no longer required in this fund. At June 30, 2012, the Town was in compliance with this covenant.
2. The Town shall maintain a depreciation fund into which monthly payments of \$970 will be made. The depreciation fund balance was \$0 at June 30, 2012. Annual deposits of \$11,640 will be required for each of the next three years. At June 30, 2012, the Town was not in compliance with this covenant.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (continued)

WATER BONDS - Series 2009

1. The Town shall maintain a reserve fund into which monthly deposits of \$681 will be made. At June 30, 2012, this bank account had not been opened and the Town was not in compliance with this covenant.
2. The Town shall maintain a depreciation fund into which monthly deposits of \$970 will be made. At June 30, 2012, this bank account had not been opened and the Town was not in compliance with this covenant.
3. The Town shall deposit \$13,627 each month into a sinking fund until it has accumulated \$163,524 so that the installment of principal and interest can be made. At June 30, 2012, this bank account had not been opened and the Town was not in compliance with this covenant.

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 \$105,521 as of June 30, 2012. At June 30, 2012, the Town was in compliance with this covenant.
2. The Town shall maintain a depreciation and contingency fund into which monthly payments of \$414 shall be deposited. The contingency fund balance was \$23,685 as of June 30, 2012. At June 30, 2012, the Town was not 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 11 - RETIREMENT SYSTEMS

Substantially all employees of the Town of Ferriday are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. 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.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 - RETIREMENT SYSTEMS (continued)

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.

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 6.75% 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, 2012, was \$42,686 equal to the required contribution for those years.

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

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 in this plan with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. 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 report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary, and the Town of Ferriday is required to contribute at an actuarially determined rate. The current rate is 13.75% of annual covered payroll. 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 for the year ending June 30, 2012, was \$16,833, equal to the required contributions for that year.

TOWN OF FERRIDAY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

Litigation - At June 30, 2012, the Town of Ferriday was involved in 6 lawsuits for various claims totaling unknown amounts. Counsel for the Town does not estimate the range of possible loss.

NOTE 13 - DEFICIT FUND BALANCE/NET POSITION

A fund balance deficit of \$634,619 exists in the general fund resulting from the current year and prior operations. It is expected that replacing out of service water meters will provide cash in the proprietary funds in future years and transfers to the water and sewer funds will no longer be necessary.

ADDITIONAL REQUIRED SUPPLEMENTAL INFORMATION (PART II)

TOWN OF FERRIDAY, LOUISIANA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes	\$ 1,398,000	\$ 1,398,000	\$ 1,393,013	\$ (4,987)
Licenses and permits	135,000	135,000	115,381	(19,619)
Intergovernmental				
Federal funds	172,732	172,732	-	(172,732)
State funds	802,500	802,500	568,956	(233,544)
Charges for services	230,000	230,000	221,023	(8,977)
Fines	300,000	300,000	237,098	(62,902)
Miscellaneous	250,000	250,000	65,763	(184,237)
Total revenue	\$ 3,288,232	\$ 3,288,232	\$ 2,601,234	\$ (686,998)
EXPENDITURES				
Current:				
General government and administration	\$ 799,830	\$ 799,830	\$ 747,344	\$ 52,486
Public safety				
Police	674,647	674,647	692,365	(17,718)
Fire	182,755	182,755	172,619	10,136
Streets	215,003	215,003	155,365	59,638
Sanitation	225,000	225,000	105,281	119,719
Recreation	26,915	26,915	44,263	(17,348)
Capital outlay	975,232	975,232	630,696	344,536
Debt service				
Principal	-	-	39,111	(39,111)
Interest	-	-	4,974	(4,974)
Total expenditures	\$ 3,099,382	\$ 3,099,382	\$ 2,592,018	\$ 507,364
Excess of revenue over expenditures	\$ 188,850	\$ 188,850	\$ 9,216	\$ (179,634)
Other financing sources and (uses)				
Interest income	\$ 1,000	\$ 1,000	\$ 1,737	\$ 737
Transfers out	(189,850)	(189,850)	(262,498)	(72,648)
Total other financing sources and (uses)	\$ (188,850)	\$ (188,850)	\$ (260,761)	\$ (71,911)
Net changes in fund balances	\$ -	\$ -	\$ (251,545)	\$ (251,545)
Fund balances - beginning of year	512,911	512,911	512,911	-
Fund balances - end of year	\$ 512,911	\$ 512,911	\$ 261,366	\$ (251,545)

See Independent Auditor's Report.

TOWN OF FERRIDAY, LOUISIANA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2012

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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 Amendments and Revisions

The budget is adopted by the Board of Aldermen. Amendments can be made on the approval of the Board of Aldermen. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

3. Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

- a. Revenue is recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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	\$ (251,545)
Increase (decrease)	
Net adjustments for revenue accruals	909
Net adjustments for expenditure accruals	(190,116)
Net change in fund balance - GAAP basis	<u>\$ (440,752)</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF FERRIDAY, LOUISIANA
COMPENSATION OF THE GOVERNING BOARD
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Elija Banks	\$ 6,600
Johnnie Brown	6,600
Somer L. Lance	6,400
Sandra G. Pryor	6,600
Gloria Lloyd	<u>6,500</u>
	<u>\$ 32,700</u>

See Independent Auditor's Report.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**



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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, 2012, 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 June 24, 2013.

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 corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings, recommendations, and corrective action plan to be material weaknesses. Those deficiencies are described as 2012-1, 2012-2, 2012-3, 2012-4, and 2012-7.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2012-5, 2012-6, 2012-7, and 2012-8.

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

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.

Silas Simmons, LLP

Natchez, Mississippi
June 24, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TOWN OF FERRIDAY, LOUISIANA
 SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012

SECTION 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Business-type activities	Qualified
Major funds:	
General funds	Unqualified
General obligation bond fund	Unqualified
Street construction fund	Unqualified
LCDBG water intake fund	Unqualified
Sewer treatment fund	Unqualified
Water fund	Qualified
Sewer fund	Qualified

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?	Yes

3. Noncompliance material to the financial statements? Yes

TOWN OF FERRIDAY, LOUISIANA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
2011-1		<p><u>Utility Accounts Receivable Subsidiary Maintenance</u> Records of accounts receivable from utility customers are not reconciled periodically to the computer system or to the general ledger. The general ledger balance of accounts receivable at June 30, 2011, was \$689,962 while the balance of accounts receivable according to the month-end computer system status report was \$518,867, a difference of \$171,095.</p> <p>Also no accounts receivable customers have been written off of the system as uncollectible bad debts during the year. The reserve for bad debts has been increased to \$425,362 to offset uncollectible accounts.</p> <p>The "System Status Report" is the subsidiary ledger for utility customers. The ledger at June 30, 2011, included a total of 2,123 customers. This total included 661 customers who are inactive. Proper file maintenance would require that those inactive customers be purged from the ledger. No inactive customers have been removed from the ledger in at least 4 years.</p> <p>Also the customer deposits are not being properly maintained in the "System Status Report." The report includes a total of \$97,091 in customer deposits. The general ledger says the customer deposits total \$105,247. No one is reconciling these differences and making corrections.</p> <p><u>Recommendation</u> We recommend the Town implement a system of reconciling between the subsidiary ledger and the general ledger any changes in the accounts receivable balance. Also uncollectibles should be written off when they are determined to be uncollectible and purged from the system.</p>	No	This finding has not been corrected and is reported this year as finding 2012-1 in the 6-30-12 audit report.

TOWN OF FERRIDAY, LOUISIANA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements (continued):				
2011-2		<p><u>Out-of-Service Water Meters</u> As has been reported in prior years, many of the Town's water meters are broken or out of service. Our test of utility billings included 12 houses that we believe to be large consumers of water. This test also included one of the largest employer's system. We believe that business consumes a large volume of water.</p> <p>The results of our test indicated that the average consumption of water for that month was 746 gallons of water. The business consumed 2,450 gallons for the month. These customers received utility bills ranging from \$16 to \$19 and the business received a minimum bill of \$60.</p> <p>Our review of the entire 238 pages of customers billed indicated that a vast majority are receiving minimum bills each month. It appears that the Town of Ferriday has no limit in many cases on water usage and the customer still receives a minimum bill.</p> <p><u>Recommendation</u> We recommend that the Town replace all old and broken water meters.</p>	No	This finding has not been corrected and is reported this year as finding 2012-2 in the 6-30-12 audit report.
2011-3		<p><u>Utility Billing Software</u> The Town's billing software for water, sewer, and garbage services is old and no one at City Hall knows how to use it properly.</p> <p><u>Recommendation</u> We recommend that the Town train its employees in the use of the current software or replace the software.</p>	No	The Town has hired a private company to operate the system, and the company is in the process of operating the software correctly.

TOWN OF FERRIDAY, LOUISIANA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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 (continued):				
2011-4		<p><u>Segregating of Duties - Utility Clerk</u> There is a lack of segregation of duties in the utility clerk's position. The utility clerk has the following duties:</p> <ul style="list-style-type: none"> a. Inputs water meter readings into computer b. Receives payments from customers c. Makes adjustments to customer accounts d. Prepares deposit slips e. Reconciles deposit slips to the Z tapes <p><u>Recommendation</u> We recommend the Town implement a system of controls over utility billings that will result in the segregation of the above mentioned duties.</p>	No	Subsequent to 6-30-12, the Town hired a private company to operate the utility system. The private company will be in control of the entire system beginning with reading the meters, collecting the payments, and making deposits.
2011-5		<p><u>Late filing of Audit Report</u> Louisiana Revised Statute 24:513 requires all audit engagements be completed and transmitted to the Louisiana Legislative Auditor within six months of the close of the entity's year. Accordingly, this audit report was due to be filed no later than December 31, 2011, and was filed in July 2012.</p>	No	This finding has not been corrected and is reported as finding 2012-5 in the 6-30-12 audit report.
2011-6		<p><u>Compliance with Reserve Requirements of Bond Issue</u> Water Bonds - Series 2009 were issued during this year. Pages 30 and 31 of this report details reserve, depreciation, and sinking funds that are required to be opened and funded. None of these are funded. None of these were opened as of June 30, 2011.</p> <p><u>Recommendation</u> We recommend that these accounts be opened and deposits made in order for the Town to be in compliance as soon as possible.</p>	No	This finding has not been corrected and is reported as finding 2012-6 in the 6-30-12 audit report.

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

None

Section III - Management Letter:

None

TOWN OF FERRIDAY, LOUISIANA
STATUS OF CURRENT YEAR FINDINGS, RECOMMENDATIONS,
AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012

Ref. No.	Description of Finding	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
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Section I -- Internal Control and Compliance Material to the Financial Statements:

2012-1	<u>Utility Accounts Receivable Subsidiary Maintenance</u> Records of accounts receivable from utility customers are not reconciled periodically to the computer system or to the general ledger. The general ledger balance of accounts receivable for water, sewer, and garbage at June 30, 2012, was \$930,557 while the balance of accounts receivable according to the month-end computer system status report was \$623,635, a difference of \$306,922.	No plans are in place to correct this finding.	The Mayor	6-30-14
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Also no accounts receivable customers have been written off of the system as uncollectible bad debts during the year. The reserve for bad debts has been increased to \$718,474 to offset uncollectible accounts.

The "System Status Report" is the subsidiary ledger for utility customers. The ledger at June 30, 2012, included a total of 2,405 customers. This total included 1,950 customers who are inactive. Proper file maintenance would require that those inactive customers be purged from the ledger. No inactive customers have been removed from the ledger in at least 5 years.

Also the customer deposits are not being properly maintained in the "System Status Report." The report includes a total of \$113,252 in customer deposits. The general ledger says the customer deposits total \$110,048. No one is reconciling these differences and making corrections.

Recommendation

We recommend the Town implement a system of reconciling between the subsidiary ledger and the general ledger any changes in the accounts receivable balance. Also uncollectibles should be written off when they are determined to be uncollectible and purged from the system.

TOWN OF FERRIDAY, LOUISIANA
STATUS OF CURRENT YEAR FINDINGS, RECOMMENDATIONS,
AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
Section I - Internal Control and Compliance Material to the Financial Statements (continued):				
2012-2	<p><u>Out-of-Service Water Meters</u> As has been reported in prior years, many of the Town's water meters are broken or out of service. Our test of utility billings included 15 houses that we believe to be large consumers of water. For the month of June, 2012 only three of these customers tested showed any usage of water. The remaining 12 customers showed no usage and all 15 customers were billed the minimum charge.</p> <p>These customers received utility bills ranging from \$16 to \$23.</p> <p>Our review of the entire 238 pages of customers billed indicated that a vast majority are receiving minimum bills each month. It appears that the Town of Ferriday has no limit in many cases on water usage and the customer still receives a minimum bill.</p> <p><u>Recommendation</u> We recommend that the Town replace all old and broken water meters.</p>	Plans are in place to replace all meters in conjunction with construction of a new water plant.	The Mayor	6-30-14
2012-3	<p><u>Utility Billing Software</u> The Town's billing software for water, sewer, and garbage services is old and no one at City Hall knows how to use it properly.</p> <p><u>Recommendation</u> We recommend that the Town train its employees in the use of the current software or replace the software.</p>	A third party contractor maintains the billing system beginning September of 2012.	The Mayor	6-30-14

TOWN OF FERRIDAY, LOUISIANA

STATUS OF CURRENT YEAR FINDINGS, RECOMMENDATIONS,
AND CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2012

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
Section I - Internal Control and Compliance Material to the Financial Statements (continued):				
2012-4	<p><u>Segregating of Duties - Utility Clerk</u> There is a lack of segregation of duties in the utility clerk's position. The utility clerk has the following duties:</p> <ul style="list-style-type: none"> a. Inputs water meter readings into computer b. Receives payments from customers c. Makes adjustments to customer accounts d. Prepares deposit slips e. Reconciles deposit slips to the Z tapes <p><u>Recommendation</u> We recommend the Town implement a system of controls over utility billings that will result in the segregation of the above mentioned duties.</p>	This will be corrected during FYE 6-30-14.	The Mayor	6-30-14
2012-5	<p><u>Late filing of Audit Report</u> Louisiana Revised Statute 24:513 requires all audit engagements be completed and transmitted to the Louisiana Legislative Auditor within six months of the close of the entity's year. Accordingly, this audit report was due to be filed no later than December 31, 2012, and was filed in June 2013.</p>	This will be corrected during FYE 6-30-13.	The Mayor	6-30-13
2012-6	<p><u>Compliance with Reserve Requirements of Bond Issue</u> Water Bonds - Series 2009 were issued during this year. Pages 30 and 31 of this report details reserve, depreciation, and sinking funds that are required to be opened and funded. None of these are funded. None of these were opened as of June 30, 2012.</p> <p><u>Recommendation</u> We recommend that these accounts be opened and deposits made in order for the Town to be in compliance as soon as possible.</p>	This will be corrected during FYE 6-30-14.	The Mayor	6-30-14

TOWN OF FERRIDAY, LOUISIANA
STATUS OF CURRENT YEAR FINDINGS, RECOMMENDATIONS,
AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
Section I - Internal Control and Compliance Material to the Financial Statements (continued):				
2012-7	<p><u>Deficiency of Meter Deposit Cash</u> The cash balance in the meter deposit bank account in the utility fund is \$65,137. The liability for meter deposits is \$110,048. Finding 2012-1 indicates that this balance is doubtful. The cash balance in the meter deposit account should be equal to the meter deposit liability.</p> <p><u>Recommendation</u> We recommend that the Town add to the meter deposit cash until it reaches the liability owed to customers for meter deposits.</p>	This will be corrected during FYE 6-30-14.	The Mayor	6-30-14
2012-8	<p><u>Minutes</u> Minutes for the April, May, and June of 2012 could not be located. R.S. 42:7.1 requires that minutes be taken at all meetings of the governing authority. Also R.S. 43:141-146 requires that all minutes be published in the official journal. These minutes could not be published since they could not be located.</p> <p><u>Recommendation</u> We recommend that minutes be taken and published according to Louisiana law.</p>	This will be corrected during FYE 6-30-14.	The Mayor	6-30-14

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

None

Section III - Management Letter:

None