

Town of Franklinton

Annual Financial Statements

As of and for the Year Then Ended October 31, 2013
With Supplemental Information Schedules

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Town of Franklinton
Annual Financial Statements
As of and for the Year Ended October 31, 2013
With Supplemental Information Schedules

TABLE OF CONTENTS

	Statement	Page
Independent Auditor’s Report		6
Required Supplemental Information (Part I):		
Management’s Discussion and Analysis.....		9
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	20
Statement of Activities	B	21
Fund Financial Statements:		
Governmental Funds Financial Statements:		
Balance Sheet, Governmental Funds	C	23
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Financial Statement of Net Position.....	D	24
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	E	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	27
Proprietary Fund Financial Statements:		
Statement of Net Position	G	28
Statement of Revenues, Expenses and Changes in Net Position	H	29
Statement of Cash Flows.....	I	30
Notes to the Financial Statements.....		32

Town of Franklinton
Annual Financial Statements
As of and for the Year Ended October 31, 2013
With Supplemental Information Schedules

TABLE OF CONTENTS

	Schedule	Page
Required Supplemental Information (Part II):		
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund - Summary	1	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund - Detail.....	2	68
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Special Revenue Fund – Economic Development and Recreation Sales Tax Fund	3	72
Other Supplemental Information:		
Non-Major Governmental Funds:		
Combining Balance Sheet, Nonmajor Governmental Funds.....	4	75
Combining Balance Sheet, Nonmajor Special Revenue Funds.....	4.1	76
Combining Balance Sheet, Nonmajor Other Governmental Funds.....	4.2	77
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Governmental Funds	5	78
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Special Revenue Funds	5.1	79
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Other Governmental Funds	5.2	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Police Ad Valorem	6	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Streets and Drainage Ad Valorem	7	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Streets and Drainage Sales Tax	8	83
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Equipment Sales Tax	9	84

**Town of Franklinton
Annual Financial Statements
As of and for the Year Ended October 31, 2013
With Supplemental Information Schedules**

TABLE OF CONTENTS

	Schedule	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Building & Facilities Sales Tax	10	85
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Industrial Development Sales Tax	11	86
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, Special Revenue Fund - Rural Development Grant.....	12	87
Proprietary Funds - Utility Fund:		
Comparative Schedule of Net Position.....	13	89
Comparative Schedule of Revenues, Expenses and Changes in Net Position.....	14	90
Comparative Schedule of Cash Flows.....	15	91
Combining Schedule of Net Position by Department.....	16	93
Combining Schedule of Revenues, Expenses & Changes in Net Position by Dept	17	94
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Gas Utility System	18	95
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Water Utility System.....	19	96
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Sewer Utility System	20	97
Schedule of Gas, Water and Sewer Rates	21	98
Schedule of Number of Customers	21	98
Schedule of Insurance	22	99
Schedule of Compensation Paid to Board Members.....	23	100
Report on Internal Control over Financial Reporting and on Compliance and Other Matters On Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>		101
Schedule of Findings and Responses.....		103
Schedule of Prior Year Findings.....		107

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Member
AICPA

Member
LCPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Wayne Fleming
And Board of Aldermen
Town of Franklinton, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Franklinton, as of and for the year ended October 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Franklinton, as of October 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19–18 and 66–72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to My inquiries, the basic financial statements, and other knowledge I obtained during My audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Franklinton's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 2, 2014, on my consideration of the Town of Franklinton's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Franklinton's internal control over financial reporting and compliance.

Minda Raybourn

Franklinton, LA

May 2, 2014

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

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013

Introduction

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

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

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

Financial Highlights

- At October 31, 2013, the Town's assets exceeded its liabilities by \$11,546,457 (net position). Of this amount, \$4,250,849 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens.
- The most significant on-going continuing revenue sources for governmental activities of the Town consisted of \$2,119,280 in sales tax revenues, \$412,213 in property taxes, \$187,411 in public utility franchise taxes, and \$349,586 for business licenses and permits. Charges for business-type activities of the utility fund were \$1,028,097 in gas charges, \$517,360 in water charges and \$603,109 in sewer charges.
- The Town's significant expenditures in the current year for governmental activities included \$659,530 for general governmental activities, \$2,327,751 for police and fire protection, and \$635,915 for public works, including streets and drainage maintenance. Expenses for business-type activities of the gas, water, and sewer departments totaled \$2,566,176.
- For the year ended October 31, 2013, the Town's bonds payable in long term debt decreased by principal payments of \$234,290, resulting in ending bonds payable of \$4,454,551.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013**

Overview of the Annual Financial Report

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013

Government-Wide Financial Analysis

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

Net Position
2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:				(Restated)		(Restated)
Current and Other Assets	\$ 1,974,218	\$ 2,406,215	\$ 3,493,960	\$ 3,551,848	\$ 5,468,178	\$ 5,958,063
Capital Assets	7,680,007	7,984,845	3,853,455	4,152,149	11,533,462	12,136,994
Total Assets	<u>9,654,225</u>	<u>10,391,060</u>	<u>7,347,415</u>	<u>7,703,997</u>	<u>17,001,640</u>	<u>18,095,057</u>
Liabilities:						
Long-Term Debt Outstanding	1,840,289	1,946,618	2,924,888	2,942,221	4,765,177	4,888,839
Other Liabilities	391,653	804,449	298,353	314,658	690,006	1,119,107
Total Liabilities	<u>2,231,942</u>	<u>2,751,067</u>	<u>3,223,241</u>	<u>3,256,879</u>	<u>5,455,183</u>	<u>6,007,946</u>
Net Position:						
Investment in Capital Assets	6,030,007	6,154,845	1,048,904	1,242,868	7,078,911	7,397,713
Restricted	28,535	443,525	188,162	169,163	216,697	612,688
Unrestricted	1,363,741	1,041,623	2,887,108	3,035,087	4,250,849	4,076,710
Total Net Position	<u>\$ 7,422,283</u>	<u>\$ 7,639,993</u>	<u>\$ 4,124,174</u>	<u>\$ 4,447,118</u>	<u>\$ 11,546,457</u>	<u>\$ 12,087,111</u>

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

Approximately two percent of the Town's net position represents resources that are subject to external restriction on how they may be used. The Town's restricted net position primarily consists of cash for capital projects in governmental activities and cash reserves required for customer deposits in business-type activities net of corresponding liabilities. Approximately thirty-seven percent of the Town's net position is unrestricted and may be used to meet the Town's ongoing obligations to its citizens.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for separate governmental and business-type activities. The Town's activities decreased its total net position by \$(540,654), with governmental activities decreasing net position by \$(217,710) and business-type activities decreasing net position by \$(322,944).

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

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013

Changes in Net Position
For the years ended October 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012 (Restated)	2013	2012 (Restated)
Revenues:						
Program Revenues:						
Charges for Services	\$ 585,196	\$ 608,527	\$ 2,148,566	\$ 2,011,577	\$ 2,733,762	\$ 2,620,104
Operating Grants and Contributions	28,904	-	-	-	28,904	-
Capital Grants and Contributions	30,725	420,887	116,760	-	147,485	420,887
General Revenues:						
Taxes	2,718,904	2,712,974	-	-	2,718,904	2,712,974
Intergovernmental	308,874	351,095	-	-	308,874	351,095
Unrealized Gain (Loss)	(132)	(62)	720	1,749	588	1,687
Interest Income	5,528	7,936	1,174	2,110	6,702	10,046
Miscellaneous	91,546	102,526	47,007	83,180	138,553	185,706
Gain on Sale of Assets	-	31,472	-	-	-	31,472
Total Revenues	<u>3,769,545</u>	<u>4,235,355</u>	<u>2,314,227</u>	<u>2,098,616</u>	<u>6,083,772</u>	<u>6,333,971</u>
Expenses:						
General Government	659,530	663,212	-	-	659,530	663,212
Public Safety	2,327,751	2,188,609	-	-	2,327,751	2,188,609
Public Works	635,915	639,785	-	-	635,915	639,785
Sanitation	155,087	190,173	-	-	155,087	190,173
Health and Welfare	65,345	61,997	-	-	65,345	61,997
Transportation	7,290	7,960	-	-	7,290	7,960
Recreation	47,194	11,000	-	-	47,194	11,000
Economic Development	33,839	21,684	-	-	33,839	21,684
Bond Interest Expense	46,299	50,600	-	-	46,299	50,600
Capital Lease Interest	-	-	-	-	-	-
Water, Gas, and Sewer Utility	-	-	2,566,176	2,427,016	2,566,176	2,427,016
Total Expenses	<u>3,978,250</u>	<u>3,835,020</u>	<u>2,566,176</u>	<u>2,427,016</u>	<u>6,544,426</u>	<u>6,262,036</u>
Change in Net Position Before Transfers	(208,705)	400,335	(251,949)	(328,400)	(460,654)	71,935
Transfers (Out) In	70,995	82,335	(70,995)	(82,335)	-	-
Transfers to Other Governments	(80,000)	(110,991)	-	-	(80,000)	(110,991)
Capital Contributions	-	29,632	-	-	-	29,632
Change in Net Position	<u>(217,710)</u>	<u>401,311</u>	<u>(322,944)</u>	<u>(410,735)</u>	<u>(540,654)</u>	<u>(9,424)</u>
Net Position, Beginning	7,639,993	7,259,722	4,419,511	4,835,898	12,059,504	12,095,620
Prior Period Adjustments	-	(21,040)	27,607	21,955	27,607	915
Net Position, Beginning	<u>7,639,993</u>	<u>7,238,682</u>	<u>4,447,118</u>	<u>4,857,853</u>	<u>12,087,111</u>	<u>12,096,535</u>
Net Position, Ending	<u>\$ 7,422,283</u>	<u>\$ 7,639,993</u>	<u>\$ 4,124,174</u>	<u>\$ 4,447,118</u>	<u>\$ 11,546,457</u>	<u>\$ 12,087,111</u>

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013

Governmental Activities

The Town's governmental net position decreased by \$217,710 as compared to a prior fiscal year net position increase of \$401,311. The significant factor in this change in net position is a decrease in capital grants of \$390,162. Operating grants increased by \$28,900. There was no gain from a sale of assets during 2013, which represented a decrease of \$31,500. Charges for Services also decreased by four percent or \$23,331.

Property tax revenues remained steady at \$412,200. Sales taxes remained steady at \$2,119,000. Franchise tax revenues declined slightly by two percent to \$187,400. Intergovernmental revenues decreased twelve percent or \$42,200 to \$308,900.

General administrative expenses decreased one percent or \$3,700 to \$659,500 after declines in expenditures for salaries of \$22,000, repairs of \$3,800 and liability insurance increases of \$30,850. Public Safety expenses increased six percent or \$139,000 to \$2,328,000. This was driven by an increase in police salaries of \$22,000, increase in health insurance of \$16,300 and \$28,600 increase in police retirement. Also, the fire department uniforms expense increased by \$22,400. The amortized accrual for other post employee benefits for public safety increased \$15,700.

Public works expenses decreased one percent to \$636,000. Sanitation expenses decreased eighteen percent or \$35,000 to \$155,000 after \$34,600 decrease in garbage contract expenses. Recreation expenses increased 329 percent or \$36,200 to \$47,200. This was driven by an increase in spending for field maintenance of \$34,200. Economic Development expenses increased \$12,200 or 56% due mainly to an increase of \$11,200 to depreciation expense. Transfers to Other Governments included transfers to the Franklinton Economic Development District of \$80,000 related to disbursements related to the landfill.

Business-Type Activities

The Town's business-type net position decreased by \$322,944 or seven percent of prior year ending net position, to \$4,124,174. Charges for services increased by seven percent or \$137,000 after an eleven percent decrease in the prior year. Total expenses for the utility fund increased \$139,000 or six percent after a decrease of \$149,000 or 6 percent in the prior year. Gas sales increased twelve percent or \$109,262. Water sales decreased less than one percent and sewer charges increased by five percent or \$29,200. Salaries increased \$16,300 in gas, \$22,900 in water, and \$22,000 in sewer totaling \$61,200. The net effect for the utility fund was an increase in net position (before prior period adjustment) of \$123,764 for the Gas Utility System, a decrease of \$(68,893) for the Water Utility System, and a decrease of \$(377,815) for the Sewer Utility System.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013**

Fund Financial Analysis

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$1,705,086. Fund balance was as follows: non-spendable \$67,807, restricted \$828,189, assigned \$360,208, and unassigned \$448,882.

This represents an increase of \$191, for all governmental funds, from the prior year's ending fund balance. The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the General Fund was \$876,897. All funds had a positive ending fund balance.

Proprietary Funds

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

Governmental Fund Budgetary Highlights

There were no funds that had actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other uses over budgeted amounts resulting in unfavorable variances greater than five percent in accordance with the Local Government Budget Act for the fiscal year ended October 31, 2013.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013**

Capital Assets and Debt Administration

Capital Assets

The Town's capital assets for its governmental and business-type activities as of October 31, 2013 amounts to \$11,533,462 (net of depreciation). The total decrease in the Town's capital assets for the current fiscal year was \$603,532 (net of depreciation). The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year.

**Capital Assets (Net of Depreciation)
2013 and 2012**

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 488,538	\$ 488,538	\$ 3,300	\$ 3,300	\$ 491,838	\$ 491,838
Buildings and Improvements	4,904,788	4,875,097	-	-	4,904,788	4,875,097
Office Furniture and Equipment	209,965	171,306	-	-	209,965	171,306
Machinery and Equipment	1,837,569	1,790,112	-	-	1,837,569	1,790,112
Vehicles	1,557,380	1,462,241	-	-	1,557,380	1,462,241
Infrastructure	4,095,930	2,120,386	-	-	4,095,930	2,120,386
Construction in Progress	15,788	1,942,998	67,743	50,440	83,531	1,993,438
Water Utility System	-	-	1,183,562	1,179,557	1,183,562	1,179,557
Gas Utility System	-	-	2,794,022	2,740,872	2,794,022	2,740,872
Sewer Utility System	-	-	8,414,519	8,405,749	8,414,519	8,405,749
Subtotal Capital Assets	13,109,958	12,850,678	12,463,146	12,379,918	25,573,104	25,230,596
Less: Accumulated Depreciation	(5,429,951)	(4,865,833)	(8,609,691)	(8,227,769)	(14,039,642)	(13,093,602)
Capital Assets, Net	\$ 7,680,007	\$ 7,984,845	\$ 3,853,455	\$ 4,152,149	\$ 11,533,462	\$ 12,136,994

Significant capital additions for the fiscal year ending October 31, 2013, consisted of the following:

- For governmental funds, police firing range improvements of \$29,691, two equipped 2014 police vehicles for \$66,151, \$20,737 for a 2014 truck for the street department, \$28,500 for police software, \$24,900 for a Mahindra Cab Tractor, \$18,351 for a 2014 Chevy Impala, and \$16,876 for tactical rifles for the Police Department. Infrastructure improvements included \$1,961,844 for asphalt street improvements and \$13,700 for paving of the Fire Department parking lot.
- For business-type funds, the major increases were for fire hydrants of \$23,155 and \$29,995 for a generator.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2013**

Long-Term Debt

At October 31, 2013, the Town had total debt outstanding of \$4,454,551. Of this total, \$241,910 (including current bond and leases payable) is due within one year and \$4,212,641 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year.

**Outstanding Debt
2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$ 1,650,000	\$ 1,830,000	\$ 2,804,551	\$ 2,858,841	\$ 4,454,551	\$ 4,688,841
Total Outstanding Debt	<u>\$ 1,650,000</u>	<u>\$ 1,830,000</u>	<u>\$ 2,804,551</u>	<u>\$ 2,858,841</u>	<u>\$ 4,454,551</u>	<u>\$ 4,688,841</u>

Other Factors Affecting the Town

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

Contacting the Town's Financial Management

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

Basic Financial Statements
Government-Wide Financial Statements

Town of Franklinton
Statement of Net Position
As of October 31, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,379,748	\$ 61,236	\$ 1,440,984
Investments	215,276	2,654,654	2,869,930
Receivables, Net:			
Intergovernmental	188,030	35,000	223,030
Accounts and Other	-	330,019	330,019
Due From Other Funds	32,343	-	32,343
Inventory	9,136	126,262	135,398
Prepaid Expenses	58,671	20,290	78,961
Total Current Assets	1,883,204	3,227,461	5,110,665
Restricted Assets:			
Restricted Cash and Cash Equivalents	28,535	201,050	229,585
Restricted Investments	-	65,449	65,449
Total Restricted Assets	28,535	266,499	295,034
Capital Lease Receivable, Net	62,479	-	62,479
Capital Assets:			
Land	488,538	3,300	491,838
Construction in Progress	15,788	67,743	83,531
Capital Assets, Net	7,175,681	3,782,412	10,958,093
Total Capital Assets	7,680,007	3,853,455	11,533,462
Total Assets	9,654,225	7,347,415	17,001,640
Liabilities			
Current Liabilities:			
Accounts Payable	25,535	78,430	103,965
Other Accrued Payables	144,564	34,362	178,926
Due To Other Funds	-	32,343	32,343
Customer Deposits	-	78,337	78,337
Bonds Payable	185,000	56,910	241,910
Compensated Absences Payable	36,554	17,971	54,525
Total Current Liabilities	391,653	298,353	690,006
Long Term Liabilities:			
Bonds Payable	1,465,000	2,747,641	4,212,641
Other Post Employment Benefits Obligation	114,670	69,823	184,493
Compensated Absences Payable	260,619	107,424	368,043
Total Long Term Liabilities	1,840,289	2,924,888	4,765,177
Total Liabilities	2,231,942	3,223,241	5,455,183
Net Position			
Investment in Capital Assets	6,030,007	1,048,904	7,078,911
Restricted for:			
Capital Projects and Debt Service	28,535	188,162	216,697
Unrestricted	1,363,741	2,887,108	4,250,849
Total Net Position	\$ 7,422,283	\$ 4,124,174	\$ 11,546,457

These accompanying notes are an integral part of the financial statements.

Town of Franklinton
Statement of Activities
For the year ended October 31, 2013

	Program Revenues				Net (Expenses) Revenues and Changes of Primary Government			
	Expenses	Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Net (Expenses) Revenues	Governmental Activities	Business- Type Activities	Total
Governmental Activities								
General Government	\$ 659,530	\$ 349,586	\$ -	\$ 5,342	\$ (304,602)	\$ (304,602)	\$ -	\$ (304,602)
Public Safety	2,327,751	65,196	28,904	25,383	(2,208,268)	(2,208,268)	-	(2,208,268)
Public Works	635,915	-	-	-	(635,915)	(635,915)	-	(635,915)
Sanitation	155,087	170,289	-	-	15,202	15,202	-	15,202
Health and Welfare	65,345	125	-	-	(65,220)	(65,220)	-	(65,220)
Transportation	7,290	-	-	-	(7,290)	(7,290)	-	(7,290)
Recreation	47,194	-	-	-	(47,194)	(47,194)	-	(47,194)
Economic Development	33,839	-	-	-	(33,839)	(33,839)	-	(33,839)
Bond Interest Expense	46,299	-	-	-	(46,299)	(46,299)	-	(46,299)
Total Governmental Activities	\$ 3,978,250	\$ 585,196	\$ 28,904	\$ 30,725	\$ (3,333,425)	(3,333,425)	-	(3,333,425)
Business-type Activities								
Gas	\$ 903,830	\$ 1,028,097	\$ -	\$ -	\$ 124,267	-	124,267	124,267
Water	694,958	517,360	-	116,760	(60,838)	-	(60,838)	(60,838)
Sewer	967,388	603,109	-	-	(364,279)	-	(364,279)	(364,279)
Total Business-type Activities	\$ 2,566,176	\$ 2,148,566	\$ -	\$ 116,760	\$ (300,850)	-	(300,850)	(300,850)
General Revenues:								
Taxes:								
Property Taxes						412,213	-	412,213
Sales Taxes						2,119,280	-	2,119,280
Franchise Taxes						187,411	-	187,411
Intergovernmental						308,874	-	308,874
Unrealized Gain (Loss)						(132)	720	588
Interest Income						5,528	1,174	6,702
Miscellaneous						91,546	47,007	138,553
Transfers to Other Governments						(80,000)	-	(80,000)
Transfers In (Out)						70,995	(70,995)	-
Total General Revenues and Transfers						3,115,715	(22,094)	3,093,621
Change in Net Position						(217,710)	(322,944)	(540,654)
Net Position - Beginning						7,639,993	4,419,511	12,059,504
Prior Period Adjustments (Note 22)						-	27,607	27,607
Net Position - Beginning (Restated)						7,639,993	4,447,118	12,087,111
Net Position - Ending						\$ 7,422,283	\$ 4,124,174	\$ 11,546,457

These accompanying notes are an integral part of the financial statements.

Basic Financial Statements
Fund Financial Statements

Town of Franklinton
Balance Sheet - Governmental Funds
As of October 31, 2013

	<u>Special Revenue Fund</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Economic Development and Recreation Sales Tax</u>	<u>Nonmajor Governmental Funds</u>	
Assets				
Cash	\$ 618,869	\$ 151,255	\$ 609,624	\$ 1,379,748
Investments	150,899	-	64,377	215,276
Receivables, Net:			-	-
Intergovernmental	178,061	9,004	965	188,030
Due From Other Funds	48,131	-	-	48,131
Inventory	9,136	-	-	9,136
Prepaid Expenses	58,671	-	-	58,671
Restricted Cash	16,231	-	12,304	28,535
Total Assets	\$ 1,079,998	\$ 160,259	\$ 687,270	\$ 1,927,527
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 21,983	\$ -	\$ 3,552	\$ 25,535
Compensated Absences	36,554	-	-	36,554
Other Accrued Expenses	144,564	-	-	144,564
Due to Other Funds	-	-	15,788	15,788
Total Liabilities	203,101	-	19,340	222,441
Fund Balances:				
Nonspendable	67,807	-	-	67,807
Restricted Fund Balances	-	160,259	667,930	828,189
Assigned	360,208	-	-	360,208
Unassigned Fund Balances	448,882	-	-	448,882
Total Fund Balances	876,897	160,259	667,930	1,705,086
Total Liabilities and Fund Balances	\$ 1,079,998	\$ 160,259	\$ 687,270	\$ 1,927,527

These accompanying notes are an integral part of the financial statements.

Town of Franklinton
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of October 31, 2013

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

Fund Balances, Total Governmental Funds (Statement C)	\$	1,705,086
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.

Governmental capital assets net of depreciation		7,680,007
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Long-term assets include a capital lease receivable that is not due and paid in the current period and, therefore, is not reported in the governmental funds.

Capital Lease Receivable from Grand Isle Shipyards		249,916
Contra Capital Lease Receivable due to Franklinton Economic Development Foundation		(187,437)

Long-term liabilities including bonds payable, loans payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds. Current accrued interest on long term debt is also not reported in the governmental funds.

Bonds Payable		(1,650,000)
Unfunded Net Other Post Employment Benefits Obligation for Health Insurance		(114,670)
Compensated Absences Payable		(260,619)

Net Position of Governmental Activities (Statement A)	\$	<u>7,422,283</u>
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Town of Franklinton
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended October 31, 2013

	<u>Special Revenue Fund</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Economic Development and Recreation Sales Tax</u>		
Revenues				
Taxes	\$ 2,360,058	\$ 104,652	\$ 254,194	\$ 2,718,904
Licenses and Permits	349,586	-	-	349,586
Intergovernmental	370,503	-	-	370,503
Charges for Services	170,414	-	-	170,414
Fines and Forfeitures	65,196	-	-	65,196
Unrealized Gain (Loss)	-	-	(132)	(132)
Interest	4,537	115	876	5,528
Donations	-	-	-	-
Other	82,486	-	25	82,511
Total Revenues	<u>3,402,780</u>	<u>104,767</u>	<u>254,963</u>	<u>3,762,510</u>
Expenditures				
General Government	568,057	-	12,922	580,979
Public Safety:				
Police	1,852,910	-	57,211	1,910,121
Fire	180,651	-	2,544	183,195
Public Works	298,065	-	23,368	321,433
Sanitation	155,087	-	-	155,087
Health and Welfare	60,352	-	-	60,352
Transportation	7,060	-	-	7,060
Recreation	-	47,194	-	47,194
Economic Development	-	-	1,160	1,160
Capital Outlays	142,066	-	127,314	269,380
Total Expenditures	<u>3,264,248</u>	<u>47,194</u>	<u>224,519</u>	<u>3,535,961</u>
Excess of Revenues Over (Under) Expenditures	<u>138,532</u>	<u>57,573</u>	<u>30,444</u>	<u>226,549</u>

(Continued)

Town of Franklinton
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended October 31, 2013

	<u>Special Revenue Fund</u>		Nonmajor Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	Economic Development and Recreation Sales Tax		
Other Financing Sources (Uses)				
Bond Principal	-	-	(180,000)	(180,000)
Bond Interest Expense	-	-	(46,299)	(46,299)
Operating Transfers In	226,130	-	226,399	452,529
Operating Transfers (Out)	(226,399)	-	(155,135)	(381,534)
Transfer to Other Governments	(80,000)	-	-	(80,000)
Total Other Financing Sources (Uses)	<u>(80,269)</u>	<u>-</u>	<u>(155,035)</u>	<u>(235,304)</u>
Special Items				
Capital Lease Receivable Payments Received	64,602	-	-	64,602
Capital Lease Payments collected for and transferred to F.A.E.D.F.	(43,963)	-	-	(43,963)
Capital Lease Interest revenue collected for and transferred to F.A.E.D.F.	(11,693)	-	-	(11,693)
Total Special Items	<u>8,946</u>	<u>-</u>	<u>-</u>	<u>8,946</u>
Net Change in Fund Balances	<u>67,209</u>	<u>57,573</u>	<u>(124,591)</u>	<u>191</u>
Fund Balances, Beginning	809,688	102,686	792,521	1,704,895
Fund Balances, Ending	<u>\$ 876,897</u>	<u>\$ 160,259</u>	<u>\$ 667,930</u>	<u>\$ 1,705,086</u>

(Concluded)

Town of Franklinton
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended October 31, 2013

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

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ 191

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

Expenditures for capital assets		
Capital asset additions	\$ 234,746	
Construction in progress	34,634	
Less:		
Current year depreciation	<u>(574,218)</u>	(304,838)

Governmental funds report the net proceeds received on long term capital leased assets; whereas the statement of activities reports the gain or loss on the effective sale of the asset through the capital lease. Thus, the change in net assets differs by the amounts reported as follows:

Gross principal payments received on long term capital lease receivable reported in fund statements	(57,567)	
Capital lease proceeds representing principal received and transferred to the Franklinton Economic Development Foundation as per the terms of the lease reported in the fund statements	<u>43,175</u>	(14,392)

Compensated absences payable after one year are not recorded as an expenditure in the governmental funds, but they are recorded as an expenditure in the statement of activities. (This entry records the change in long-term compensated absences)		(25,913)
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Increases in unfunded post-employment benefit obligations for medical insurance expected in future periods are not recorded for governmental funds on the fund basis.		(52,758)
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Repayment of bond principal and capital lease principal is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments - long term debt		<u>180,000</u>
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Change in Net Position of Governmental Activities, Statement B \$ (217,710)

Town of Franklinton
Statement of Net Position - Proprietary Funds
As of October 31, 2013

Statement G

Assets

Current Assets:

Cash and Cash Equivalents	\$	61,236
Investments		2,654,654
Accounts Receivables, Net		330,019
Other Receivables		35,000
Due From Other Funds		-
Inventory - Gas and Supplies		126,262
Prepaid Insurance		20,290
Total Current Assets		3,227,461

Restricted Assets:

Restricted Cash and Cash Equivalents		201,050
Restricted Investments		65,449
Total Restricted Assets		266,499

Capital Assets

Land		3,300
Capital Assets, Net		3,782,412
Construction in Progress		67,743
Total Capital Assets		3,853,455

Total Assets

7,347,415

Liabilities

Current Liabilities (Payable From Current Assets):

Accounts Payable		78,430
Compensated Absences Payable		17,971
Other Accrued Payables		34,362
Due To Other Funds		32,343
Total Current Liabilities (Payable From Current Assets)		163,106

Current Liabilities (Payable From Restricted Assets):

Customer Deposits		78,337
Revenue Bonds Payable		56,910
Total Current Liabilities (Payable From Restricted Assets)		135,247

Long Term Liabilities:

Bonds Payable		2,747,641
Other Post Employment Benefits Obligation		69,823
Compensated Absences Payable		107,424
Total Long Term Liabilities		2,924,888

Total Liabilities

3,223,241

Net Position

Investment in Capital Assets		1,048,904
Restricted for:		
Capital Projects and Debt Service		188,162
Unrestricted		2,887,108
Total Net Position		4,124,174

\$ 4,124,174

These accompanying notes are an integral part of the financial statements.

Town of Franklinton
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the year ended October 31, 2013

	Business-Type Activities-			Total Proprietary Funds
	Enterprise Funds			
	Gas Utility System	Water Utility System	Sewer Utility System	
Operating Revenues				
Gas Sales	\$ 1,028,097	\$ -	\$ -	\$ 1,028,097
Less Cost of Gas Sold	(403,487)	-	-	(403,487)
Gross Profit on Gas Sales	624,610	-	-	624,610
Water Sales	-	517,360	-	517,360
Sewer Service Charges	-	-	603,109	603,109
Penalties	13,512	8,043	10,623	32,178
Intergovernmental	-	116,760	-	116,760
Other	1,835	8,624	5,095	15,554
Total Operating Revenues	639,957	650,787	618,827	1,909,571
Operating Expenses				
Bad Debts	36,486	18,540	21,517	76,543
Depreciation	28,593	90,797	262,532	381,922
Employee Benefits	76,270	58,708	99,133	234,111
Insurance	24,795	30,415	33,013	88,223
Meter Reading	12,321	10,810	10,809	33,940
Repairs and Maintenance	8,136	60,400	28,900	97,436
Salaries and Wages	201,667	168,652	256,365	626,684
Supplies	31,115	99,805	19,054	149,974
Utilities	-	53,496	65,841	119,337
Other	77,287	53,401	93,749	224,437
Total Operating Expenses	496,670	645,024	890,913	2,032,607
Operating Income (Loss)	143,287	5,763	(272,086)	(123,036)
Nonoperating Revenues (Expenses)				
Unrealized Gain (Loss) on Investments	731	(11)	-	720
Interest Income	741	289	144	1,174
Interest Expense	-	(49,934)	(80,873)	(130,807)
Total Nonoperating Revenues (Expenses)	1,472	(49,656)	(80,729)	(128,913)
Income (Loss) Before Contributions and Transfers	144,759	(43,893)	(352,815)	(251,949)
Transfers				
Operating Transfers In	4,005	-	-	4,005
Operating Transfers Out	(25,000)	(25,000)	(25,000)	(75,000)
Change in Net Position	123,764	(68,893)	(377,815)	(322,944)
Total Net Position, Beginning				
Before Prior Period Adjustments	2,367,441	187,777	1,864,293	4,419,511
Prior Period Adjustments (Note 22)	-	27,607	-	27,607
Net Assets, Beginning After Prior Period Adjustments	2,367,441	215,384	1,864,293	4,447,118
Total Net Position, Ending	\$ 2,491,205	\$ 146,491	\$ 1,486,478	\$ 4,124,174

These accompanying notes are an integral part of the financial statements.

Town of Franklinton
Statement of Cash Flows -
Proprietary Funds
For the year ended October 31, 2013

Statement I

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Received From Customers	\$ 2,227,824
Paid for Meter Deposit Fees	(9,766)
Other Receipts	97,314
Receipt for Interfund Services	12,926
Payments for Operations	(1,139,462)
Payments to Employees	(864,481)
Net Cash Provided (Used) by Operating Activities	<u>324,355</u>
Cash Flows From Noncapital Financing Activities	
Transfers From (To) Other Funds	<u>(70,995)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(70,995)</u>
Cash Flows From Capital and Related Financing Activities	
Payments for Capital Acquisitions	(83,228)
Principal Proceeds from (Repayments for) Long Term Debt	(54,290)
Interest Payments for Long Term Debt	<u>(130,807)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(268,325)</u>
Cash Flows From Investing Activities	
Receipt of Interest	1,174
Proceeds from sale (Payments) for Investments	<u>(860)</u>
Net Cash Provided (Used) by Investing Activities	<u>314</u>
Net Decrease in Cash and Cash Equivalents	(14,651)
Cash and Cash Equivalents, Beginning of Year	<u>276,937</u>
Cash and Cash Equivalents, End of Year	\$ <u>262,286</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and Cash Equivalents, Unrestricted	\$ 61,236
Cash and Cash Equivalents, Restricted	<u>201,050</u>
Total Cash and Cash Equivalents	<u>\$ 262,286</u>

(Continued)

These accompanying notes are an integral part of the financial statements.

Town of Franklinton
Statement of Cash Flows -
Proprietary Funds
For the year ended October 31, 2013

Statement I

	<u>Enterprise Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities	
Operating Income (Loss)	\$ (123,036)
Adjustments to Reconcile Operating Loss to Net Cash Provided by	
Operating Activities:	
Depreciation and amortization	381,922
(Increase) Decrease in Accounts Receivable	47,080
(Increase) Decrease in Other Receivable	(35,000)
(Increase) Decrease in Inventory	27,193
(Increase) Decrease in Prepaid Insurance	5,544
Decrease in Due (to) and from Other Funds	12,926
(Decrease) Increase in Accounts Payable	(25,995)
(Decrease) Increase in Compensated Absences	5,495
(Decrease) Increase in Accrued Expenses	37,992
(Decrease) Increase in Customer Deposits	<u>(9,766)</u>
 Net Cash Provided by Operating Activities	 \$ <u><u>324,355</u></u>

(Concluded)

These accompanying notes are an integral part of the financial statements.

Basic Financial Statements

Notes to the Financial Statements

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

Introduction

The Town of Franklinton was incorporated March 7, 1861, under the provisions of a Special Legislative Charter. The Town operates under a Mayor-Board of Aldermen form of government, with the Mayor and each of five aldermen elected at-large for four year terms. Franklinton is located in west central Washington Parish and is the governmental seat of the parish. In 1820, a legislative act created the parish from the northern section of St. Tammany Parish and the next year another act designated the settlement of Franklin as the seat of parish government. In 1826, the name was changed to Franklinton to avoid conflict with another community in St. Mary Parish with the same name. The total population of Franklinton was reported as 3,857 by the U.S. Census Bureau, Census 2010. The Town provides police and fire protection, services to maintain or develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. Utility services are provided for 917 gas customers, 1,505 water customers, and 1,505 sewer customers. The Town paid 69 employees in the last quarter of the fiscal year, including board members.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town of Franklinton is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without 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. There are no other component units which the Town of Franklinton has an oversight relationship.

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 activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, a primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net

See independent auditor's report

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position and Fund Equity*.

The Town has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the Town is more fully described in *Footnote I – Long-Term Obligations*.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

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 revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

The *Enterprise Funds* account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Fund of the Town of Franklinton provides gas, water, and sewer utility services.

Additionally, the government reports the following fund types:

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

The *Debt Service Funds* account for resources set aside for payment of principal and interest on the 2002 Certificates of Indebtedness sales tax issue, which was paid off in 2011 in the Sales Tax Debt Service Fund and the proceeds from the series 2011 bonds in the Streets and Drainage Sinking Debt Service Fund.

The *Capital Project Funds* account for financial resources received and used for acquisition, construction, or improvement of capital facilities not reported in other governmental funds. For the current fiscal year ended, this included the Streets and Drainage Construction Fund, which was reported as a major fund and the Grant Construction Fund which was reported as a nonmajor fund.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

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, if applicable, are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town 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.

Investments for the Town are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

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

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

	Authorized Millage		Levied Millage		Collected Millage
General Corporate Purposes	7.13 mills	\$	153,029	\$	158,019
Police ad valorem	5.1 mills		109,463		106,001
Street and drainage ad valorem	7.13 mills		153,029		148,193

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

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

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

E. Inventories and Prepaid Items

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

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, were previously deferred and amortized over the life of the bonds using the effective interest method. Bonds payable were reported net of the applicable bond premium or discount.

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

The Town adopted GASB 65 and GASB 63 for the fiscal year end October 31, 2012. All necessary adjustments were made in the prior year.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period occurred under GASB 65.

J. Net Position and Fund Equity

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

- **Net Investment in Capital Assets Component of Net Position**

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

- **Restricted Component of Net Position**

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- **Unrestricted Component of Net Position**

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

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

- **Nonspendable.** These are amounts that cannot be spent either, because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted.** These are amounts that can be spent only for specific purposes, because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed.** These are amounts that can be used only for specific purposes determined by a formal vote of the Board, which is the highest level of decision making authority for the Town.
- **Assigned.** These are amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes.
- **Unassigned.** These are all other spendable amounts.

K. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

L. Extraordinary and Special Items

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

M. Estimates

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

N. Reconciliations of Government-Wide and Fund Financial Statements

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

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

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

The proposed budget for October 31, 2013 was made available for public inspection on October 8, 2013. The proposed budget, prepared on the modified accrual basis of accounting, was published on October 23, prior to the public hearing which was held at the Town of Franklinton's City Hall on October 29, 2013, for comments by taxpayers. The budget was legally adopted by the board of aldermen on October 29, 2013.

There were no funds that had actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other sources over budgeted amounts resulting in unfavorable variances greater than five percent in accordance with the Local Government Budget Act for the fiscal year ended October 31, 2013.

3. Cash and Cash Equivalents

At October 31, 2013, the Town has cash and cash equivalents (book balances), as follows:

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

Demand Deposits	\$ 1,670,569
	<u>\$ 1,670,569</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 October 31, 2013, the Town has \$1,591,935 in deposits (collected bank balances), within two banks, consisting of \$1,438,813 in demand deposits and \$153,122 in savings deposits. The demand deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,188,813 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Savings deposits were covered by federal deposit insurance.

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

4. Investments

Investments are categorized into these three categories of credit risk:

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

All investments held by the Town fall into category 1 credit risk, defined as "insured or registered, or securities held by the Town or its agent in the Town's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

At October 31, 2013, the Town's investment balances were as follows:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Government National Mortgage Association (GNMA). Rating - Aaa\AAA.	January 20, 2014	\$ 83	\$ 249
	April 20, 2014	393	378
	March 20, 2028	618	782
	May 20, 2032	<u>222</u>	<u>216</u>
		<u>1,316</u>	<u>1,625</u>
Money Market. Rating Unavailable.		<u>1,815,734</u>	<u>1,815,734</u>
Louisiana Asset Management Pool (L.A.M.P.). Rating AAAM.		1,118,020	1,118,020
	Total	<u>\$ 2,935,070</u>	<u>\$ 2,935,379</u>

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the Town and are held at the Town's office. Because these investments are in the name of the Town and are held by the Town or the Town's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section 150.164.

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

The investment in the Louisiana Asset Management Pool (LAMP), an external investment pool, is stated at the value of the pool shares, which is the same as the fair value. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

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

LAMP is a 2a7 – like investment pool. The following facts are relevant for 2a7 like investment pools:

- Credit risk: LAMP is rated AAAM by Standards and Poor's
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

- Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
- Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by writing to LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, Louisiana 70130, or by calling (800) 249-5267.

5. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities include sales taxes, franchise taxes, occupational licenses, and fines. Business-type activities report utilities earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise taxes, occupational licenses, fines, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable. The Town has a franchise tax receivable, which it does not expect to receive within one year therefore an allowance has been placed on the entire amount as shown below.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

The Governmental Fund receivables at October 31, 2013 consist of the following:

Government Receivables	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ -	\$ -
Taxes:				
Sales Tax Receivable	164,143	8,639	-	172,782
Franchise Tax	17,200	-	-	17,200
Allowance for Uncollectable Franchise Taxes	(17,200)	-	-	(17,200)
Intergovernmental:				
Federal Emergency Management Agency	1,278	-	-	1,278
State of Louisiana	12,640	365	965	13,970
Accrued Interest	-	-	-	-
Total Government Receivables	<u>\$ 178,061</u>	<u>\$ 9,004</u>	<u>\$ 965</u>	<u>\$ 188,030</u>

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

The Enterprise Fund accounts receivable at October 31, 2013 consist of the following:

	Enterprise Fund
Accounts Receivable	
Current	\$ 158,989
31 - 60 Days	26,719
61 - 90 Days	20,784
Over 90 Days	73,638
Subtotal	280,130
Less Allowance for Bad Debt	(73,638)
Accounts Receivables, Net	206,492
Other Receivables	-
Unbilled Receivables	123,527
Total Accounts Receivable	<u>\$ 330,019</u>

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

6. Restricted Assets

The following is a listing of the restricted assets for the fund financial statements on October 31, 2013:

The Restricted Assets for all funds at October 31, 2013 consist of the following:

Restricted Assets	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Fund	Total
Cash and Cash Equivalents						
Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ 12,345	\$ 12,345
Bond Reserve Account	-			-	105,850	105,850
Bond Contingency Account	-			-	65,141	65,141
Bond Sinking Account	-		48	-	17,714	17,762
Construction Account	-			12,256	-	12,256
Police Reserve and Deposits	16,231			-	-	16,231
Investments - Customer Deposits	-			-	65,449	65,449
Total Restricted Assets	\$ 16,231	\$ -	\$ 48	\$ 12,256	\$ 266,499	\$ 295,034

7. Interfund Receivables/Payables

The following is a detailed list of interfund balances for fund financial statements on October 31, 2013:

Interfund Balances	Due From Other Funds	Due To Other Funds
General Fund		
Enterprise Fund	\$ 32,343	\$ -
Enterprise Fund		
General Fund	-	32,343
Total Interfund Balances	\$ 32,343	\$ 32,343

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

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

8. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended October 31, 2013:

Governmental Activities Capital Assets:	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 488,538	\$ -	\$ -	\$ -	\$ 488,538
Construction in Progress	1,942,998	34,634	(1,961,844)	-	15,788
Total Capital Assets Not Being Depreciated	2,431,536	34,634	(1,961,844)	-	504,326
Capital Assets Being Depreciated:					
Buildings and Improvements	4,875,097	29,691	-	-	4,904,788
Machinery and Equipment	1,790,112	47,457	-	-	1,837,569
Office Furniture and Equipment	171,306	38,659	-	-	209,965
Vehicles	1,462,241	105,239	(10,100)	-	1,557,380
Infrastructure	2,120,386	1,975,544	-	-	4,095,930
Total Capital Assets Being Depreciated	10,419,142	2,196,590	(10,100)	-	12,605,632
Less Accumulated Depreciation for:					
Buildings and Improvements	(1,984,121)	(174,172)	-	-	(2,158,293)
Machinery and Equipment	(1,381,491)	(100,008)	-	-	(1,481,499)
Office Furniture and Equipment	(147,666)	(8,927)	-	-	(156,593)
Vehicles	(1,051,061)	(119,838)	10,100	-	(1,160,799)
Infrastructure	(301,494)	(171,273)	-	-	(472,767)
Total Accumulated Depreciation	(4,865,833)	(574,218)	10,100	-	(5,429,951)
Total Capital Assets Being Depreciated, Net	5,553,309	1,622,372	-	-	7,175,681
Total Governmental Activities Capital Assets, Net	\$ 7,984,845	\$ 1,657,006	\$ (1,961,844)	\$ -	\$ 7,680,007

Depreciation was charged to governmental functions as follows:

General Government	\$ 74,207
Public Safety - Police	130,770
Public Safety - Fire	51,999
Public Works	297,044
Economic Development	20,198
	\$ 574,218

Construction at progress at fiscal year-end consists of \$15,788 in expenditures for the Safe Routes to School Sidewalk project. Completed construction consisted of \$1,961,844 for completed improvements for the Asphalt Street Improvements project. Capital expenditures for equipment included two equipped 2014 police vehicles for \$66,151, \$20,737 for a 2014 truck for the street department, \$28,500 for police software, \$24,900 for a Mahindra Cab Tractor, \$18,351 for a 2014 Chevy Impala, and \$16,876 for tactical rifles for the Police Department.

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

Capital assets and depreciation activity as of and for the year ended October 31, 2013 for business-type activities is as follows:

Business - Type Activities Capital Assets:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 3,300	\$ -	\$ -	\$ 3,300
Construction in Progress - Sewer System	50,440	17,303		67,743
Total Capital Assets Not Being Depreciated	<u>53,740</u>	<u>17,303</u>	<u>-</u>	<u>71,043</u>
Capital Assets Being Depreciated:				
Gas Utility System	1,179,557	4,005	-	1,183,562
Water Utility System	2,740,872	53,150	-	2,794,022
Sewer Utility System	8,405,749	8,770	-	8,414,519
Total Capital Assets Being Depreciated	<u>12,326,178</u>	<u>65,925</u>	<u>-</u>	<u>12,392,103</u>
Less Accumulated Depreciation for:				
Gas Utility System	(1,030,904)	(28,593)	-	(1,059,497)
Water Utility System	(2,218,610)	(90,797)	-	(2,309,407)
Sewer Utility System	(4,978,255)	(262,532)	-	(5,240,787)
Total Accumulated Depreciation	<u>(8,227,769)</u>	<u>(381,922)</u>	<u>-</u>	<u>(8,609,691)</u>
Total Capital Assets Being Depreciated, Net	<u>4,098,409</u>	<u>(315,997)</u>	<u>-</u>	<u>3,782,412</u>
Total Business - Type Activities Capital Assets, Net	<u>\$ 4,152,149</u>	<u>\$ (298,694)</u>	<u>\$ -</u>	<u>\$ 3,853,455</u>

Construction in progress at fiscal year-end of \$67,743 consists of \$50,440 representing expenses for proposed sewer system construction, pending award of funding for proposed improvements and \$17,303 for Sewer Center Wall Project. Significant Expenditures were \$23,155 for fire hydrants and \$29,995 for a generator at the Bene Street Well.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

9. Long Term Capital Lease Receivable

Governmental Activities

During the fiscal year ending October 31, 2008, the Town entered into a joint capital lease between the Town of Franklinton and Grand Isle Shipyards Inc. The capital lease is on a building constructed and completed by the Town through the funding by State grants and through contributions received from the Franklinton Area Economic Development Foundation by the Town totaling \$466,106 over the course of the project.

The total lease is for \$526,000 after imputed interest of 5.50% on 120 payments of \$5,708.34 ending in December 2017, totaling \$685,000.

The Town will receive twenty five percent and the Franklinton Economic Development Foundation will receive seventy five percent of all principal and interest payments with expected payments received and to be received as follows:

Fiscal Year Ending	Principal			Interest			Payments Expected		
	Town of Franklinton	F.A.E.D.F.	Total	Town of Franklinton	F.A.E.D.F.	Total	Town of Franklinton	F.A.E.D.F.	Total
10/31/2008	\$ 8,416	\$ 25,248	\$ 33,664	\$ 5,855	\$ 17,565	\$ 23,420	\$ 14,271	\$ 42,813	\$ 57,084
10/31/2009	10,620	31,861	42,481	6,505	19,514	26,019	17,125	51,375	68,500
10/31/2010	11,220	33,659	44,879	5,905	17,716	23,621	17,125	51,375	68,500
10/31/2011	11,852	35,557	47,409	5,273	15,818	21,091	17,125	51,375	68,500
10/31/2012	12,521	37,563	50,084	4,604	13,812	18,416	17,125	51,375	68,500
10/31/2013	13,227	39,682	52,909	3,898	11,693	15,591	17,125	51,375	68,500
10/31/2014	13,973	41,920	55,893	3,152	9,455	12,607	17,125	51,375	68,500
10/31/2015	14,762	44,285	59,047	2,363	7,090	9,453	17,125	51,375	68,500
10/31/2016	15,594	46,783	62,377	1,531	4,592	6,123	17,125	51,375	68,500
10/31/2017	16,474	49,422	65,896	651	1,953	2,604	17,125	51,375	68,500
10/31/2018	2,834	8,503	11,337	20	59	79	2,854	8,562	11,416
	<u>\$ 131,493</u>	<u>\$ 394,483</u>	<u>\$ 525,976</u>	<u>\$ 39,757</u>	<u>\$ 119,267</u>	<u>\$ 159,024</u>	<u>\$ 171,250</u>	<u>\$ 513,750</u>	<u>\$ 685,000</u>

	Capital Lease	
	Receivable	Due Within One Year
Gross Capital Lease Receivable for the year ended October 31, 2013	\$ 249,916	\$ 55,893
Amount of Gross Capital Lease Receivable due to F.A.E.D.F. for the year ended October 31, 2013	(187,437)	(41,920)
Net Capital Lease Receivable for the year ended October 31, 2013	<u>\$ 62,479</u>	<u>\$ 13,973</u>

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

10. Interfund Transfers

The following is a detailed list of interfund transfers reported in the fund financial statements on October 31, 2013:

Interfund Transfers	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Ad Volorem Streets and Drainage	\$ 50,000	\$ -
Sales Tax Streets and Drainage	85,920	-
Grant Construction Fund	15,210	-
Streets and Drainage Sinking Debt Service Fund	-	226,399
Enterprise Fund	75,000	-
Special Revenue Funds		
Ad Volorem Streets and Drainage		
General Fund	-	50,000
Sales Tax Streets and Drainage		
General Fund	-	85,920
Sales Tax Industrial Development		
Enterprise Fund	-	4,005
Capital Projects Funds		
Grant Construction Fund		
General Fund	-	15,210
Streets and Drainage Sinking Debt Service Fund		
General Fund	226,399	-
Enterprise Fund		
Sales Tax Industrial Development	4,005	-
General Fund	-	75,000
Total Interfund Transfers	<u>\$ 456,534</u>	<u>\$ 456,534</u>

The primary reason for the transfers between the sales tax revenue, sales tax debt service, and sales tax construction funds was to transfer funds from the sales tax revenue funds for debt service and equipment and construction projects per requirements of the 2002 Sales Tax Bond Issue and the 2011 Sales Tax Bond Issue. Funds were also transferred primarily between the General Fund and Enterprise Fund to fund operating requirements per budget approvals.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

11. Accounts, Salaries, and Other Payables

The Governmental Fund payables at October 31, 2013 are as follows:

Governmental Funds Payable	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Accounts	\$ 21,983	\$ 1,776	\$ -	\$ 23,759
Accrued Salaries	52,769	-	-	52,769
Health Insurance	13,125	-	-	13,125
Insurance	21,669	-	-	21,669
Retirement Payable	46,779	-	-	46,779
Compensated Absences	36,554	-	-	36,554
Other	10,222	-	1,776	11,998
Total Government Funds Payable	\$ 203,101	\$ 1,776	\$ 1,776	\$ 206,653

The Enterprise Fund payables at October 31, 2013 are as follows:

Enterprise Funds Payable	Gas Utility	Water Utility	Sewer Utility	Total Enterprise Fund
Accounts	\$ 34,837	\$ 39,297	\$ 4,296	\$ 78,430
Accrued Salaries	7,913	7,025	10,949	25,887
Compensated Absences Payable	6,229	4,121	7,621	17,971
Department of Health and Hospitals Fees	-	1,725	-	1,725
Other	1,875	1,875	3,000	6,750
Total Enterprise Funds Payable	\$ 50,854	\$ 54,043	\$ 25,866	\$ 130,763

12. Short-Term Debt

The Town had no short-term debt outstanding at October 31, 2013, other than the current portions of revenue bonds payables described in the long term obligations footnote.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

13. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended October 31, 2013:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Long-Term Obligations</u>
	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	
	Beginning Balance	\$ -	\$ 1,830,000	\$ -	
Deletions	-	(180,000)	-	(54,290)	(234,290)
Ending Balance	<u>\$ -</u>	<u>\$ 1,650,000</u>	<u>\$ -</u>	<u>\$ 2,804,551</u>	<u>\$ 4,454,551</u>

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

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Long-Term Obligations</u>
	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Total</u>	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Total</u>	
	Governmental Activities						
Revenue Bonds	\$ 185,000	\$ 1,465,000	\$ 1,650,000	\$ 56,910	\$ 2,747,641	\$ 2,804,551	\$ 4,454,551
Compensated Absences Payable	36,554	260,619	297,173	17,971	107,424	125,395	422,568
Other Post Employment Benefit Obligation	-	114,670	114,670	-	69,823	69,823	184,493
	<u>\$ 221,554</u>	<u>\$ 1,840,289</u>	<u>\$ 2,061,843</u>	<u>\$ 74,881</u>	<u>\$ 2,924,888</u>	<u>\$ 2,999,769</u>	<u>\$ 5,061,612</u>

Bonds Payable as of October 31, 2013 are as follows:

	<u>Bonds Payable End of Year</u>	<u>Due Within One Year</u>
Business Type: \$ 560,000 of Sewer Revenue Bonds, Series 2002 Dated 06/03/02 , due in monthly installments of principal and interest of \$2,923 , through 06/03/2032, interest at 4.75%.	\$ 432,937	\$ 14,844
Business Type: \$1,250,000 of Water Revenue Bonds Dated 12/31/06 , due in monthly installments of principal and interest of \$6,102 , from 01/26/1997 to 12/26/2036, interest at 5.125%.	970,400	24,494
Business Type: \$1,461,000 of Sewer Revenue Bonds, Series 2008 Dated 01/23/09 , due in annual installments of principal and interest ranging up to \$76,790 , from 01/03/2010 to 01/03/2049, interest at 4.25%.	1,401,214	17,572
Governmental: \$2,000,000 Sales Tax Bonds, Series 2011 Dated 11/01/11 , due in annual installments of principal and interest ranging up to \$236,512 , from 05/01/2012, interest at 2.53%.	1,650,000	185,000
	<u>\$ 4,454,551</u>	<u>\$ 241,910</u>

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

The annual requirements to amortize all debt outstanding at October 31, 2013, including interest payments of \$2,446,288 are as follows:

Year Ending 10/31/13	Sewer Revenue Bonds	Water Revenue Bonds	Govt'I Sales Tax Bonds Series 2011	Total at 10/31/13
2014	\$ 111,878	\$ 73,218	\$ 226,745	\$ 411,841
2015	111,878	73,218	227,065	412,161
2016	111,878	73,218	227,258	412,354
2017	111,878	73,218	227,324	412,420
2018	111,878	73,218	232,264	417,360
2019 to 2023	559,390	366,090	704,282	1,629,762
2024 to 2028	559,390	366,090	-	925,480
2029 to 2033	512,606	366,090	-	878,696
2034 to 2038	383,950	231,857	-	615,807
2039 to 2043	383,950	-	-	383,950
2044 to 2048	383,950	-	-	383,950
2049	17,058	-	-	17,058
	<u>\$ 3,359,684</u>	<u>\$ 1,696,217</u>	<u>\$ 1,844,938</u>	<u>\$ 6,900,839</u>

Total interest expense for the year ending October 31, 2013 totaled \$177,106.

Dedication of Proceeds and Flow of Funds – Two Percent Sales and Use Tax

Proceeds of the original 1960 sales tax totaled \$1,053,820 in collections for 2013 including State P&M sales tax collections, and use tax levied by the Town, are dedicated with the revenues derived from said sales and use tax to be used for the purpose of constructing, improving, extending, and maintaining playgrounds and recreational facilities; public roads, streets, bridges and crossings; sewerage, garbage disposal and water works, and other works of permanent public improvements in the municipality.

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

- 1) Forty percent for constructing, improving and maintaining streets and drainage facilities and improvements. Collections for 2013, including State P&M sales tax collections, were \$421,486.
- 2) Thirty percent for supporting the police department of the Town and providing public safety. Collections for 2013, including State P&M sales tax collections, were \$316,112.
- 3) Twenty percent for supporting the fire department of the Town. Collections for 2013, including State P&M sales tax collections, were \$210,743.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

- 4) Ten Percent for promoting and encouraging the location and development of commerce and industry, and supporting recreation in the Town. Collections for 2013, including State P&M sales tax collections, were \$104,652.

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

Sewer Revenue Bonds - Series 2002

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

The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the bonds with each bond year. The municipality is required by the Resolution to make monthly deposits into the Sinking Fund no later than the twentieth day of each month, a sum of \$2,924. Amounts deposited in the Sinking Fund will be applied to the payment of principal and interest on the bonds in the bond year of their receipts. The municipality has elected to make these payments monthly to RUS.

The Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. A sum of \$147 per month must be deposited into this fund no later than the twentieth day of each month until \$35,078 is on deposit therein. This Reserve Fund is fully funded at October 31, 2013 with a balance maintained of \$35,859.

The Contingency Fund is established to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund on or before the twentieth day of each month of each year a sum of \$147. The amount to be deposited per month is to increase to \$293 per month once \$35,078 has been accumulated in the Reserve Fund. In addition to caring for depreciation, extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the bonds including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Funds. This Contingency Fund is fully funded at October 31, 2013 with a balance maintained of \$35,861.

Water Revenue Bonds

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

The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the bonds with each bond year. For purposes of this certificate, "Bond Year" shall mean one year period ending on each principal payment date of the bonds, which is December 26. The municipality is required by the Resolution to make monthly deposits into the Sinking Fund no later than the twentieth day of each month, a sum of \$6,101. Amounts deposited in the Sinking Fund will be applied to the payment of principal and

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

interest on the bonds in the bond year of their receipts. The Town has elected to make these payments monthly to RUS.

The Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. The Reserve Fund is established by depositing \$306 monthly into the Reserve Fund commencing with the month following the completion of the project. This fund is fully funded as of October 31, 2013, with a balance maintained of \$69,991.

The Contingency Fund is established to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund on or before the twentieth day of each month of each year a sum of \$321, provided such sum is available as provided in the Resolution. In addition to caring for depreciation, extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the bonds including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Funds. This Fund is fully funded at October 31, 2013, with a balance maintained of \$29,280.

Certificates of Indebtedness, Series 2008 – Sewer Bonds

On January 23, 2009, the Town of Franklinton issued \$1,461,000 of Certificates of Indebtedness, Series 2008, for the purpose of financing sewer improvements. The Series 2006 Bonds were retired with \$900,000 of these funds. The Town also was awarded a \$949,000 Rural Development Grant to assist in financing the sewer improvement project, along with \$100,000 funds supplied by the Town for an estimated project cost of \$2,510,000. Out of the funds on deposit in the Revenue Fund, after reasonable and necessary expenses of operating the system have been paid, moneys are to be transferred to the Sinking Fund, Reserve Fund and/or the Contingency Fund as provided in the Resolution as shown in the following schedule.

Monthly Deposits			
<u>Time Period</u>	<u>Sinking Fund Contribution</u>	<u>Reserve Fund Contribution</u>	<u>Contingency Fund Contribution</u>
1/20/2009 to 12/20/2009	\$ 7,810.11	\$147 until project funded with 2008 bonds is accepted by the town then becomes \$391	\$147 until project funded with 2008 bonds is accepted by the town then becomes \$391
1/20/2010 to 5/20/2032	\$ 9,322.38	\$467 monthly into reserve until \$111,868.56 is in Reserve Fund.	\$467 monthly into reserve until \$111,868.56 is in Reserve Fund then deposits increase to \$933
6/20/2033 to 12/20/2048	\$ 6,399.18	In June 2032 reserve fund deposit to be reduced to \$76,790.16	In January 2032 the monthly deposit decreases to \$640

The Town has deposited into the Sewer Bond and Interest Fund \$16,836 at year end.

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

Certificates of Indebtedness, Series 2011 - Sales Tax Bonds

On November 1, 2011, the Town of Franklinton issued \$2,000,000 of Certificates of Indebtedness, Series 2011, for the purpose of constructing, improving and maintaining streets and drainage facilities in the Town. The town is required to deposit, a sum equal to the pro rata amount of interest and principal falling due on the next interest and principal payment date for the period, together with such additional proportionate sum as may be required to pay said principal and interest as the same fall due. The Town made these payments through the end of the year.

15. Retirement Systems

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

A. Municipal Employee Retirement System 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 officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least ten years of creditable service 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 three per cent of their final-average salary for each year of creditable service. Furthermore, with at least ten years of creditable service, but less than 30 years, an employee may take early retirement benefits commencing at age 60, with the basic benefit reduced three per cent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

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

Funding Policy. Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Franklinton is required to contribute at an actuarially determined rate. The current rate is 8.75 percent of annual covered payroll. The Town of Franklinton's management has decided to pay two percent of the employee's part, thus increasing the Town of Franklinton's pension percentage to 10.75 percent. Contributions to the System also include one-fourth of one percent (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

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

the active members of each plan. The contribution requirements of plan members and the Town of Franklinton are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The Town of Franklinton contributions to the System under Plan B for the years ending October 31, 2013 and 2012 were \$92,763, and \$91,848, respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System 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 age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent 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 previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

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

Funding Policy. Plan members are required by state statute to contribute ten percent of their annual covered salary and the Town of Franklinton is required to contribute at an actuarially determined rate. The rates for the plan fiscal year ends of October 31, 2013, 2012, 2011, 2010 and 2009 were 31, 30.52, 26.5, 25 percent and 11 percent of annual covered payroll respectively. The contribution requirements of plan members and the Town of Franklinton are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Franklinton contributions to the System under Plan B for the years ending October 31, 2013 and 2012 were \$265,076 and \$236,730, respectively, equal to the required contributions for each year.

C. Firefighters Retirement System of Louisiana (System)

Plan Description. Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service, not to exceed 100 per cent of their final-average salary. Final-average salary is the employee's average salary over 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

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

Funding Policy. Plan members are required by state statute to contribute ten percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The employer contribution rates were 28.25 percent, 24 percent, 23.25 percent, 21.5 percent and 14 percent of annual covered salary for the plan years ending in 2013, 2012, 2011, 2010 and 2009. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. There was one participant in the retirement plan for firefighters for the fiscal year ending October 31, 2013. Total employer contributions were \$7,295 in the fiscal year ending October 31, 2013.

16. Other Post-Employment Benefits

The Town of Franklinton is required to report under GASB 45: Accounting for Other Post Employment Benefit (OPEB) Obligations. This standard requires governmental entities to record the present value of the unfunded employer costs associated with non-retirement-based expected payments to current and former employees for post-employment benefits such as health insurance. The Town utilized a specialist to estimate the present value of the full costs of all promised health benefits to all current and former employees included in the current benefit population utilizing such factors as the age, retirement age, expected increases in health costs, expected employer contributions, historical health claims by employee population, and other factors. The Town has not yet implemented a protected trust to fund a plan to pay for these expected costs. The impact on the financials is at the government wide level, where the excess projected costs in excess of the amount funded by the Town in the year is accrued as a liability called the net OPEB obligation. The net OPEB obligation will increase rapidly over time if the obligation is not funded. The annual OPEB cost can be significantly higher for some entities than its current health premiums expense depending on the demographics of the employee population.

The rationale behind the implementation of GASB 45 relates to the fact that the former and current employees to the balance sheet date have provided services to the entity and have created a cost in the current period that will need to be paid in future periods based on the current employer-employee agreement. The unfunded portion of these costs will require future cash flows, which need to be considered in combination with other expected future cash outflows such as bond payments in order to avoid budget deficits in those fiscal periods.

Plan Description. The Town of Franklinton participates in a group defined health insurance benefit retirement plan administered by the Town. Participation in the plan is authorized by a resolution passed by the Board of Aldermen on February 22, 2011; which authorized an amendment to the Town's personnel policies and procedures manual to include the retirement health insurance benefit. The Plan provides health insurance until age 65 for employees who retire at age 62 or older with at least twenty years of service. The Town pays one hundred percent of the health insurance premiums.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

For the year ended October 31, 2013 the Town of Franklinton had no retirees eligible for this benefit. For the years ended October 31, 2013 and 2012, employee health insurance expense totaled \$403,699 and \$370,937, which represents approximately six percent of current year total government wide expenses.

The Town has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective the fiscal year beginning November 1, 2010. The Town adopted the requirements of GASB Statement No. 45 during the year ended October 31, 2011.

The Town recognized the cost of postemployment benefits in the year when employee services are rendered, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Employees received credit for prior service upon implementation of the plan; the actuarially accrued liability associated with prior services was calculated as required by GASB Statement No. 45 and is being phased in over thirty years, commencing with the 2011 liability.

Contribution Rates. Employees do not contribute to their post employment benefits. The plan is fully funded by the Town.

Fund Policy. Until the fiscal year ending October 31, 2010, the Town of Franklinton recognized the cost of providing post-employment medical benefits (The Town's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis.

Annual Required Contribution. The Town of Franklinton's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning November 1, 2012 is shown in the following table.

	Medical
Normal Cost	\$ 62,048
30-year UAL (Unfunded Liability) amortization amount	25,569
Annual required contributions (ARC)	\$ 87,617

Net Post-employment Benefit Obligation (Asset). The Town's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending October 31, 2013:

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

	<u>Medical</u>
Beginning Net OPEB Obligation (Asset) 11/1/12	\$ <u>96,738</u>
Annual required contribution (ARC)	87,617
Interest on Net OPEB Obligation (Asset)	3,870
ARC Adjustment	<u>(3,732)</u>
OPEB Cost	87,755
Contribution	-
Current year retiree premium	<u>-</u>
Change in Net OPEB Obligation	<u>87,755</u>
Ending Net OPEB Obligation (Asset) 10/31/13	<u>\$ 184,493</u>

The following table shows Town of Franklinton's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Medical	10/31/2013	\$ 87,755	0.00%	\$ 184,493
Medical	10/31/2012	\$ 51,538	0.00%	\$ 96,738
Medical	10/31/2011	\$ 51,779	12.70%	\$ 45,200

Funded Status and Funding Progress. In the fiscal year ending October 31, 2013, Town of Franklinton made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 31, 2013, the Actuarial Accrued Liability (AAL) was \$580,933 (medical), which is defined as that portion, as determined by a particular actuarial cost method (Town of Franklinton uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2013, the entire actuarial accrued liability of \$580,933 was unfunded.

	<u>Medical</u>
Actuarial Accrued Liability (AAL)	\$ 580,933
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Act. Accrued Liability (UAAL)	580,933
Funded Ratio (Act. Val. Assets / AAL)	0%
Covered Payroll (active plan members)	\$ 2,101,350
UAAL as a percentage of covered payroll	28%

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by Town of Franklinton and its employee plan members) at the time of the valuation and on the pattern of sharing costs between Town of Franklinton and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between Town of Franklinton and plan members in the future. Consistent with the long-term perspective of actuarial

calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. Since the OPEB obligation has not yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate. Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Post employment Benefit Plan Eligibility Requirements. Active members are assumed to retire at 62 years of age at attainment of eligibility for the retirement benefit.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a four percent annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.2 percent initially, increased to an ultimate rate of 6.6 percent after eight years was used.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

Inflation Rate. The expected long-term inflation assumption of 2.8 percent was based on projected changes in the Consumer Price Index (CPI) in *The 2011 Annual Report for the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario. The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Marital Status. Marital Status of members at the calculation date was irrelevant because spouses of employees are not covered under the Plan.

Mortality Rate. Life expectancies were based on mortality tables from the National Center for Health Statistics.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 100 percent of the cost of the medical insurance for the retirees. The current fiscal year health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the Town's short-term investment portfolio and revenue growth, a discount rate of 2.8 percent was used. In addition, a simplified version of the unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over thirty years.

17. Segment Information – Enterprise Fund

The enterprise fund of the Town of Franklinton accounts for the collection of gas, water, and sewer user fees, and the provision of services to support the gas, water and sewer systems. Segment information of the enterprise fund is presented in the following statements that comprise the set of financial statements:

Individual enterprise fund statements are included as columns in the combining statement of net position; combining statements of revenues, expenses, and changes in net position - proprietary fund type; and combining statement of cash flows - proprietary fund type and notes to the basic financial statements.

18. Fund Balances

At October 31, 2013, the General Fund had nonspendable fund balances of \$67,807 created from \$58,671 of prepaid insurance and \$9,136 in inventory for the streets and drainage department. Assigned fund balances of \$360,208 consisted of \$88,593 for insurance, \$51,280 for match for a grant, \$204,108 for fire activities, \$532 for police reserve, and \$15,695 for the airport. All other funds have fund balances restricted for the stated purpose of that fund.

19. Risk Management

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

See independent auditor's report.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

In order to control insurance costs and concurrently manage the risks of loss, the Town of Franklinton has a deductible on general liability insurance and public officials' errors and omissions of \$25,000 for each loss occurrence, and \$50,000 per occurrence for law enforcement liability. As of October 31, 2013, a total of \$88,593 has been transferred to a separate insurance account designated for funding the deductible, and additional funds will be transferred to this account as funds become available.

20. Contingent Liabilities

At October 31, 2013, the Town has several suits pending or threatened litigation. As of the date of this report, the extent to which some of these suits are covered by insurance, the outcome of these suits, and any probable loss amount cannot be readily determinable.

Effective November 1, 2004, the Town of Franklinton approved a new health insurance policy and elected to pay the \$1,000 deductible per employee, if necessary. The deductible changed to \$750 at the first of year 2009. The Town expects a worse-case scenario in which ½ of the employee's \$750 health insurance deductibles will need to be paid by the Town in the following fiscal year. On this basis, the Town recorded a contingent liability, payable within the current fiscal year, of \$19,875 and allocated \$13,125 of the estimated expenditure to various departments within the General Fund, and the remaining estimated expenditure of \$6,750 to water, sewer, and gas departments within the Enterprise Fund.

21. On-Behalf Payments by the State of Louisiana

For the fiscal year ended October 31, 2013, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town recorded \$103,633 of on behalf payments as revenue and as an expenditure in the General Fund.

22. Prior Period Adjustments

The Town of Franklinton recorded the following prior period adjustments.

Business-Type Activities

Enterprise Fund

Beginning Net Position Before Prior Period Adjustments	\$	4,419,511
To restate the DHH Fees Payable account for payments made in prior periods:		
DHH Fees Payable		27,607
Beginning Net Position After Prior Period Adjustments	\$	4,447,118

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2013

23. Subsequent Events

These financial statements considered subsequent events through May 2, 2014, the date the financial statements were available to be issued.

During the fiscal year ending October 31, 2013, emergency repairs were required for the center wall of the Town of Franklinton sewer plant. The Town secured funding of \$165,000 under the States' Economic Development Assistance Program (SEDAP), and on November 12, 2013 accepted the low bid of \$297,191 for the project entitled "SBR Center Wall Repairs – Town of Franklinton".

No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending October 31, 2013.

Required Supplemental Information (Part II)

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Summary
For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,334,425	\$ 2,344,637	\$ 2,360,058	\$ 15,421
Licenses and Permits	349,680	348,980	349,586	606
Intergovernmental	413,700	372,806	370,503	(2,303)
Charges for Services	175,250	174,375	170,414	(3,961)
Fines and Forfeitures	85,000	58,200	65,196	6,996
Interest	1,000	590	4,537	3,947
Miscellaneous	75,776	82,089	82,486	397
Total Revenues	3,434,831	3,381,677	3,402,780	21,103
Expenditures				
General Government	579,720	574,531	568,057	6,474
Public Safety:				
Police	1,928,900	1,863,728	1,852,910	10,818
Fire	166,885	147,599	180,651	(33,052)
Public Works	341,900	294,232	298,065	(3,833)
Sanitation	189,050	168,407	155,087	13,320
Health and Welfare	85,905	59,268	60,352	(1,084)
Transportation	8,500	7,063	7,060	3
Economic Development	-	-	-	-
Capital Outlays	185,000	192,873	142,066	50,807
Total Expenditures	3,485,860	3,307,701	3,264,248	43,453
Excess Revenues (Expenditures)	(51,029)	73,976	138,532	64,556

Continued

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Summary
For the year ended October 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Operating Transfers In	210,882	210,920	226,130	15,210
Operating Transfers (Out)	(226,300)	(226,300)	(226,399)	(99)
Transfers to Other Governments	-	-	(80,000)	(80,000)
Sale of Capital Assets	2,000	758	-	(758)
Total Other Financing Sources (Uses)	<u>(13,418)</u>	<u>(14,622)</u>	<u>(80,269)</u>	<u>(65,647)</u>
Special Items				
Capital Lease Receivable Payments Received	68,500	68,500	64,602	(3,898)
Capital Lease Payments collected for and transferred to F.A.E.D.F.	(136,375)	(131,375)	(43,963)	87,412
Capital Lease Interest revenue collected for and transferred to F.A.E.D.F.	-	-	(11,693)	(11,693)
Total Special Items	<u>(67,875)</u>	<u>(62,875)</u>	<u>8,946</u>	<u>71,821</u>
Net Change in Fund Balances	<u>(132,322)</u>	<u>(3,521)</u>	<u>67,209</u>	<u>70,730</u>
Fund Balances, Beginning	<u>809,688</u>	<u>809,688</u>	<u>809,688</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 677,366</u>	<u>\$ 806,167</u>	<u>\$ 876,897</u>	<u>\$ 70,730</u>

(Concluded)

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Detail
 For the year ended October 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes				
Ad Valorem	\$ 157,500	\$ 158,020	\$ 158,019	\$ (1)
Sales Taxes	1,989,900	2,005,167	2,014,628	9,461
Franchise Taxes	187,025	181,450	187,411	5,961
Total Taxes	<u>2,334,425</u>	<u>2,344,637</u>	<u>2,360,058</u>	<u>15,421</u>
Intergovernmental				
Federal Grants	87,500	47,210	59,629	12,419
State Grants	8,700	25,910	10,700	(15,210)
Other	317,500	299,686	300,174	488
Total Intergovernmental	<u>413,700</u>	<u>372,806</u>	<u>370,503</u>	<u>(2,303)</u>
Other Revenues				
Licenses and Permits	349,680	348,980	349,586	606
Charges for Services	175,250	174,375	170,414	(3,961)
Fines and Forfeitures	85,000	58,200	65,196	6,996
Interest	1,000	590	4,537	3,947
Miscellaneous	75,776	82,089	82,486	397
Total Other Revenues	<u>686,706</u>	<u>664,234</u>	<u>672,219</u>	<u>7,985</u>
Total Revenues	<u>3,434,831</u>	<u>3,381,677</u>	<u>3,402,780</u>	<u>21,103</u>

Continued

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Detail
 For the year ended October 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
General Government				
Salaries	273,000	258,336	253,496	4,840
Benefits	59,425	59,023	58,650	373
Payroll Taxes	20,000	19,800	20,013	(213)
General and Administrative	5,900	4,000	3,900	100
Insurance	12,975	42,302	39,627	2,675
Vehicle Expenses	2,000	2,200	2,067	133
Other operating	35,670	37,790	37,819	(29)
Professional Fees	116,500	104,160	104,155	5
Repairs and Maintenance	7,500	1,500	1,488	12
Supplies	24,500	22,500	22,137	363
Utilities	22,250	22,920	24,705	(1,785)
Total General Government	<u>579,720</u>	<u>574,531</u>	<u>568,057</u>	<u>6,474</u>
Public Safety:				
Police				
Salaries	1,036,350	1,043,078	1,037,300	5,778
Benefits	466,650	447,925	447,527	398
Payroll Taxes	73,700	78,935	80,311	(1,376)
General and Administrative	89,500	33,782	14,643	19,139
Insurance	138,000	132,782	127,435	5,347
Vehicle Expenses	68,000	68,000	74,121	(6,121)
Other operating	3,200	3,636	15,636	(12,000)
Repairs and Maintenance	8,000	7,100	7,086	14
Supplies	15,000	15,500	13,877	1,623
Telephone	16,500	19,430	20,394	(964)
Utilities	14,000	13,560	14,580	(1,020)
Total Police	<u>1,928,900</u>	<u>1,863,728</u>	<u>1,852,910</u>	<u>10,818</u>
Fire				
Salaries	41,375	31,925	32,918	(993)
Benefits	15,710	14,260	14,257	3
Payroll Taxes	2,800	2,450	2,413	37
General and Administrative	2,500	1,800	1,735	65
Insurance	32,400	33,016	30,340	2,676
Vehicle Expenses	8,500	8,500	7,924	576
Other operating	27,600	19,048	41,099	(22,051)
Repairs and Maintenance	1,000	1,760	11,216	(9,456)
Supplies	20,500	17,240	20,523	(3,283)
Telephone	5,500	7,100	7,120	(20)
Utilities	9,000	10,500	11,106	(606)
Total Fire	<u>166,885</u>	<u>147,599</u>	<u>180,651</u>	<u>(33,052)</u>
Total Public Safety	<u>2,095,785</u>	<u>2,011,327</u>	<u>2,033,561</u>	<u>(22,234)</u>

Continued

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Detail
For the year ended October 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Public Works				
Salaries	174,000	138,900	137,950	950
Benefits	66,200	54,300	53,925	375
Payroll Taxes	12,500	10,465	10,510	(45)
General and Administrative	44,500	41,759	44,922	(3,163)
Insurance	19,700	25,098	25,098	-
Vehicle Expenses	13,000	15,460	17,485	(2,025)
Supplies	12,000	8,250	8,175	75
Total Public Works	<u>341,900</u>	<u>294,232</u>	<u>298,065</u>	<u>(3,833)</u>
Sanitation				
General and Administrative	15,000	6,250	6,250	-
Insurance	4,250	4,760	4,758	2
Other operating	169,800	157,397	144,079	13,318
Total Sanitation	<u>189,050</u>	<u>168,407</u>	<u>155,087</u>	<u>13,320</u>
Health and Welfare				
Salaries	27,180	27,478	27,880	(402)
Benefits	10,100	10,051	10,051	-
Payroll Taxes	2,050	2,106	2,102	4
Insurance	575	513	513	-
Other operating	46,000	19,120	19,806	(686)
Total Health and Welfare	<u>85,905</u>	<u>59,268</u>	<u>60,352</u>	<u>(1,084)</u>
Transportation				
General and Administrative	5,400	4,065	4,062	3
Utilities	3,100	2,998	2,998	-
Total Transportation	<u>8,500</u>	<u>7,063</u>	<u>7,060</u>	<u>3</u>
Economic Development				
General and Administrative	-	-	-	-
Total Economic Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlays	<u>185,000</u>	<u>192,873</u>	<u>142,066</u>	<u>50,807</u>
Total Expenditures	<u>3,485,860</u>	<u>3,307,701</u>	<u>3,264,248</u>	<u>43,453</u>
Excess Revenues (Expenditures)	<u>(51,029)</u>	<u>73,976</u>	<u>138,532</u>	<u>64,556</u>

Continued

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Detail
 For the year ended October 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Operating Transfers In	\$ 210,882	\$ 210,920	\$ 226,130	\$ 15,210
Operating Transfers (Out)	(226,300)	(226,300)	(226,399)	(99)
Transfers to Other Governments	-	-	(80,000)	(80,000)
Sale of Capital Assets	2,000	758	-	(758)
Total Other Financing Sources (Uses)	<u>(13,418)</u>	<u>(14,622)</u>	<u>(80,269)</u>	<u>(65,647)</u>
Special Items				
Capital Lease Receivable Payments	68,500	68,500	64,602	(3,898)
Capital Lease Payments collected for and transferred to F.A.E.D.F.	(136,375)	(131,375)	(43,963)	87,412
Capital Lease Interest revenue collected for and transferred to F.A.E.D.F.	-	-	(11,693)	(11,693)
Total Special Items	<u>(67,875)</u>	<u>(62,875)</u>	<u>8,946</u>	<u>71,821</u>
Net Change in Fund Balances	<u>(132,322)</u>	<u>(3,521)</u>	<u>67,209</u>	<u>70,730</u>
Fund Balances, Beginning	<u>809,688</u>	<u>809,688</u>	<u>809,688</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 677,366</u>	<u>\$ 806,167</u>	<u>\$ 876,897</u>	<u>\$ 70,730</u>

Concluded

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Economic Development and Recreation Sales Tax Fund
For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales Taxes	\$ 104,000	\$ 105,550	\$ 104,652	\$ (898)
Interest	-	114	115	1
Miscellaneous	-	-	-	-
Total Revenues	104,000	105,664	104,767	(897)
Expenditures				
Recreation	58,600	47,195	47,194	1
Capital Outlays	5,000	-	-	-
Total Expenditures	63,600	47,195	47,194	1
Net Change in Fund Balances	40,400	58,469	57,573	(896)
Fund Balances, Beginning	102,686	102,686	102,686	-
Fund Balances, Ending	\$ 143,086	\$ 161,155	\$ 160,259	\$ (896)

See independent auditor's report.

Other Supplemental Information

Non-Major Governmental Funds

Special Revenue Funds:

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

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

Streets and Drainage Sales Tax - To account for the disbursement of fifty percent of a one percent sales tax dedicated for the purpose of constructing, improving, and maintaining streets and drainage facilities and improvements. This fund is maintained to monitor continuing requirements for disbursement of funds from a sales tax issue expired October 2011. The fund is inactive as of October 31, 2013.

Equipment Sales Tax - To account for the receipt and disbursement of 20% of a 1% sales tax dedicated for the purposes of acquiring, constructing, improving, maintaining and operating public buildings and facilities and equipment.

Buildings and Facilities Sales Tax - To account for the receipt and disbursement of 20 percent of a one percent sales tax dedicated for the purposes of acquiring, constructing, improving, maintaining and operating public buildings and facilities.

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

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

Capital Projects Fund:

Grant Construction Fund is a capital projects fund that accounts for the use of grant funds and contributions for the construction of improvements and public facilities. This fund was created to account for construction projects that will not be financed by sales tax proceeds.

Streets and Drainage Construction Fund is a capital projects fund that accounts for the use of the proceeds spent from the 2011 sales tax bonds for the construction and improvements on streets and drainage projects.

Safe Routes to School Sidewalk Construction Fund is a new capital project fund in 2013 that accounts for the use of the proceeds spent from the federal pass-through grant from the Louisiana Department of Transportation for sidewalk improvements.

Debt Service Funds:

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

**Town of Franklinton
Combining Balance Sheet -
Nonmajor Governmental Funds
As of October 31, 2013**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash	\$ 609,624	\$ -	\$ -	\$ 609,624
Investments	64,377	-	-	64,377
Receivables, Net:				-
Intergovernmental	-	965	-	965
Restricted Cash	-	12,256	48	12,304
Total Assets	<u>\$ 674,001</u>	<u>\$ 13,221</u>	<u>\$ 48</u>	<u>\$ 687,270</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 1,776	\$ 1,776	\$ -	\$ 3,552
Due to Other Funds	-	15,788	-	15,788
Total Liabilities	<u>1,776</u>	<u>17,564</u>	<u>-</u>	<u>19,340</u>
Fund Balances:				
Restricted Fund Balances	<u>672,225</u>	<u>(4,343)</u>	<u>48</u>	<u>667,930</u>
Total Fund Balances	<u>672,225</u>	<u>(4,343)</u>	<u>48</u>	<u>667,930</u>
Total Liabilities and Fund Balances	<u>\$ 674,001</u>	<u>\$ 13,221</u>	<u>\$ 48</u>	<u>\$ 687,270</u>

See independent auditor's report.

Town of Franklinton
Combining Balance Sheet -
Nonmajor Special Revenue Funds
As of October 31, 2013

	Special Revenue Funds							Total Nonmajor Special Revenue Funds
	Police Ad Valorem	Streets and Drainage Ad Valorem	Streets and Drainage Sales Tax	Equipment Sales Tax	Building and Facilities Sales Tax	Industrial Devel- opment Sales Tax	Rural Devel- opment Grant	
Assets								
Cash	\$ 45,189	\$ 165,931	\$ -	\$ -	\$ 2	\$ 363,209	\$ 35,293	\$ 609,624
Investments	-	64,377	-	-	-	-	-	64,377
Receivables, Net:								
Intergovernmental	-	-	-	-	-	-	-	-
Restricted Cash	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 45,189</u>	<u>\$ 230,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 363,209</u>	<u>\$ 35,293</u>	<u>\$ 674,001</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts Payable	\$ 1,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,776
Due to Other Funds	-	-	-	-	-	-	-	-
Total Liabilities	<u>1,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,776</u>
Fund Balances:								
Restricted Fund Balances	43,413	230,308	-	-	2	363,209	35,293	672,225
Total Fund Balances	<u>43,413</u>	<u>230,308</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>363,209</u>	<u>35,293</u>	<u>672,225</u>
Total Liabilities and Fund Balances	<u>\$ 45,189</u>	<u>\$ 230,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 363,209</u>	<u>\$ 35,293</u>	<u>\$ 674,001</u>

See independent auditor's report.

Town of Franklinton
Combining Balance Sheet -
Nonmajor Other Governmental Funds
As of October 31, 2013

	<u>Capital Project Funds</u>			<u>Debt Service Fund</u>	<u>Nonmajor Other Governmental Funds</u>
	<u>Grant Construction</u>	<u>Streets and Drainage Construction</u>	<u>Safe Routes to School Sidewalk Construction</u>	<u>Streets and Drainage Sinking</u>	
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables, Net:					
Intergovernmental	965	-	-	-	965
Restricted Cash	-	12,256	-	48	12,304
Total Assets	\$ 965	\$ 12,256	\$ -	\$ 48	\$ 13,269
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 1,776	\$ -	\$ -	\$ -	\$ 1,776
Due to Other Funds	-	-	15,788	-	15,788
Total Liabilities	1,776	-	15,788	-	17,564
Fund Balances:					
Restricted Fund Balances	(811)	12,256	(15,788)	48	(4,295)
Total Fund Balances	(811)	12,256	(15,788)	48	(4,295)
Total Liabilities and Fund Balances	\$ 965	\$ 12,256	\$ -	\$ 48	\$ 13,269

See independent auditor's report.

Town of Franklinton
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the year ended October 31, 2013

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Ad Valorem Taxes	\$ 254,194	\$ -	\$ -	\$ 254,194
Sales Tax	-	-	-	-
Grants	-	-	-	-
Interest	699	88	89	876
Other	25	-	-	25
Unrealized Gain (Loss) on Investments	(132)	-	-	(132)
Total Revenues	<u>254,786</u>	<u>88</u>	<u>89</u>	<u>254,963</u>
Expenditures				
General Government	12,672	-	250	12,922
Public Safety				
Police	57,211	-	-	57,211
Fire	2,544	-	-	2,544
Public Works	23,329	39	-	23,368
Health and Welfare	-	-	-	-
Recreation	-	-	-	-
Economic Development	1,160	-	-	1,160
Capital Outlays	92,680	34,634	-	127,314
Total Expenditures	<u>189,596</u>	<u>34,673</u>	<u>250</u>	<u>224,519</u>
Excess of Revenues Over (Under) Expenditures	<u>65,190</u>	<u>(34,585)</u>	<u>(161)</u>	<u>30,444</u>
Other Financing Sources (Uses)				
Bond Principal Payments	-	-	(180,000)	(180,000)
Interest Expense	-	-	(46,299)	(46,299)
Operating Transfers In	-	-	226,399	226,399
Operating Transfers Out	(139,925)	(15,210)	-	(155,135)
Total Other Financing Sources (Uses)	<u>(139,925)</u>	<u>(15,210)</u>	<u>100</u>	<u>(155,035)</u>
Net Change in Fund Balances	<u>(74,735)</u>	<u>(49,795)</u>	<u>(61)</u>	<u>(124,591)</u>
Fund Balances, Beginning	746,960	45,452	109	792,521
Fund Balances, Ending	<u>\$ 672,225</u>	<u>\$ (4,343)</u>	<u>\$ 48</u>	<u>\$ 667,930</u>

See independent auditor's report

Town of Franklinton
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the year ended October 31, 2013

Special Revenue Funds

	Police Ad Valorem	Streets and Drainage Ad Valorem	Streets and Drainage Sales Tax	Equipment Sales Tax	Building and Facilities Sales Tax	Industrial Development Sales Tax	Rural Develop- ment Grant	Total Nonmajor Special Revenue Funds
Revenues								
Ad Valorem Taxes	\$ 106,001	\$ 148,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,194
Sales Tax	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Interest	66	288	56	-	9	280	-	699
Other	25	-	-	-	-	-	-	25
Unrealized Gain (Loss) on Investments	-	(132)	-	-	-	-	-	(132)
Total Revenues	<u>106,092</u>	<u>148,349</u>	<u>56</u>	<u>-</u>	<u>9</u>	<u>280</u>	<u>-</u>	<u>254,786</u>
Expenditures								
General Government	-	-	-	199	11,571	902	-	12,672
Public Safety								
Police	52,675	-	-	-	4,536	-	-	57,211
Fire	-	-	-	-	2,544	-	-	2,544
Public Works	-	23,329	-	-	-	-	-	23,329
Health and Welfare	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	1,160	-	1,160
Capital Outlays	43,693	48,987	-	-	-	-	-	92,680
Total Expenditures	<u>96,368</u>	<u>72,316</u>	<u>-</u>	<u>199</u>	<u>18,651</u>	<u>2,062</u>	<u>-</u>	<u>189,596</u>
Excess of Revenues Over (Under) Expenditures	<u>9,724</u>	<u>76,033</u>	<u>56</u>	<u>(199)</u>	<u>(18,642)</u>	<u>(1,782)</u>	<u>-</u>	<u>65,190</u>
Other Financing Sources (Uses)								
Bond Principal Payments	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	(50,000)	(85,920)	-	-	(4,005)	-	(139,925)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(50,000)</u>	<u>(85,920)</u>	<u>-</u>	<u>-</u>	<u>(4,005)</u>	<u>-</u>	<u>(139,925)</u>
Net Change in Fund Balances	<u>9,724</u>	<u>26,033</u>	<u>(85,864)</u>	<u>(199)</u>	<u>(18,642)</u>	<u>(5,787)</u>	<u>-</u>	<u>(74,735)</u>
Fund Balances, Beginning	<u>33,689</u>	<u>204,275</u>	<u>85,864</u>	<u>199</u>	<u>18,644</u>	<u>368,996</u>	<u>35,293</u>	<u>746,960</u>
Fund Balances, Ending	<u>\$ 43,413</u>	<u>\$ 230,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 363,209</u>	<u>\$ 35,293</u>	<u>\$ 672,225</u>

See independent auditor's report.

Town of Franklinton
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Other Governmental Funds
For the year ended October 31, 2013

	<u>Capital Project Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Other Governmental Funds</u>
	<u>Grant Construction</u>	<u>Streets and Drainage Construction</u>	<u>Safe Routes to School Sidewalk Construction</u>	<u>Streets and Drainage Sinking</u>	
Revenues					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-
Grants	-	-	-	-	-
Interest	-	88	-	89	177
Other	-	-	-	-	-
Unrealized Gain (Loss) on Investments	-	-	-	-	-
Total Revenues	<u>-</u>	<u>88</u>	<u>-</u>	<u>89</u>	<u>177</u>
Expenditures					
General Government	-	-	-	250	250
Public Safety					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public Works	-	39	-	-	39
Health and Welfare	-	-	-	-	-
Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Capital Outlays	-	18,846	15,788	-	34,634
Total Expenditures	<u>-</u>	<u>18,885</u>	<u>15,788</u>	<u>250</u>	<u>34,923</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(18,797)</u>	<u>(15,788)</u>	<u>(161)</u>	<u>(34,746)</u>
Other Financing Sources (Uses)					
Bond Principal Payments	-	-	-	(180,000)	(180,000)
Interest Expense	-	-	-	(46,299)	(46,299)
Operating Transfers In	-	-	-	226,399	226,399
Operating Transfers Out	(15,210)	-	-	-	(15,210)
Total Other Financing Sources (Uses)	<u>(15,210)</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>(15,110)</u>
Net Change in Fund Balances	<u>(15,210)</u>	<u>(18,797)</u>	<u>(15,788)</u>	<u>(61)</u>	<u>(49,856)</u>
Fund Balances, Beginning	14,399	31,053	-	109	45,561
Fund Balances, Ending	<u>\$ (811)</u>	<u>\$ 12,256</u>	<u>\$ (15,788)</u>	<u>\$ 48</u>	<u>\$ (4,295)</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Police Ad Valorem
For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 107,000	\$ 106,000	\$ 106,001	\$ 1
Interest	50	25	66	41
Miscellaneous	50	-	25	25
Total Revenues	<u>107,100</u>	<u>106,025</u>	<u>106,092</u>	<u>67</u>
Expenditures				
Public Safety:				
Police				
Insurance	-	-	-	-
Other operating	27,000	31,458	35,146	(3,688)
Repairs and Maintenance	12,400	12,560	13,601	(1,041)
Supplies	5,000	3,800	3,928	(128)
Capital Outlays	62,700	45,000	43,693	1,307
Total Expenditures	<u>107,100</u>	<u>92,818</u>	<u>96,368</u>	<u>(3,550)</u>
Excess Revenues (Expenditures)	<u>-</u>	<u>13,207</u>	<u>9,724</u>	<u>(3,483)</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>13,207</u>	<u>9,724</u>	<u>(3,483)</u>
Fund Balances, Beginning	<u>33,689</u>	<u>33,689</u>	<u>33,689</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 33,689</u>	<u>\$ 46,896</u>	<u>\$ 43,413</u>	<u>\$ (3,483)</u>

See independent auditor's report

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund - Streets and Drainage Ad Valorem
 For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 150,000	\$ 148,200	\$ 148,193	\$ (7)
Intergovernmental - Grants	-	-	-	-
Interest	250	210	288	78
Miscellaneous	-	-	(132)	(132)
Total Revenues	150,250	148,410	148,349	(61)
Expenditures				
Public Works	42,750	22,655	23,329	(674)
Capital Outlays	40,000	48,960	48,987	(27)
Total Expenditures	82,750	71,615	72,316	(701)
Excess Revenues (Expenditures)	67,500	76,795	76,033	(762)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balances	17,500	26,795	26,033	(762)
Fund Balances, Beginning	204,275	204,275	204,275	-
Fund Balances, Ending	\$ 221,775	\$ 231,070	\$ 230,308	\$ (762)

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund - Streets and Drainage Sales Tax
 For the year ended October 31, 2013

	<u>Budgeted Amounts</u>		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Interest	20	56	56	-
Miscellaneous	-	-	-	-
Total Revenues	<u>20</u>	<u>56</u>	<u>56</u>	<u>-</u>
Expenditures				
Public Works	-	-	-	-
Capital Outlays	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues (Expenditures)	<u>20</u>	<u>56</u>	<u>56</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(85,887)	(85,920)	(85,920)	-
Total Other Financing Sources (Uses)	<u>(85,887)</u>	<u>(85,920)</u>	<u>(85,920)</u>	<u>-</u>
Net Change in Fund Balances	<u>(85,867)</u>	<u>(85,864)</u>	<u>(85,864)</u>	<u>-</u>
Fund Balances, Beginning	<u>85,864</u>	<u>85,864</u>	<u>85,864</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund - Equipment Sales Tax Fund
 For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
General Government	-	-	199	(199)
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Capital Outlays	-	-	-	-
Total Expenditures	-	-	199	(199)
Excess Revenues (Expenditures)	-	-	(199)	(199)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(199)	(199)
Fund Balances, Beginning	199	199	199	-
Fund Balances, Ending	\$ 199	\$ 199	\$ -	\$ (199)

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund - Buildings and Facilities Sales Tax Fund
 For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Interest	-	9	9	-
Total Revenues	<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>
Expenditures				
General Government	8,648	11,572	11,571	1
Public Safety:				
Police	5,048	4,537	4,536	1
Fire	5,048	2,544	2,544	-
Capital Outlays	-	-	-	-
Total Expenditures	<u>18,744</u>	<u>18,653</u>	<u>18,651</u>	<u>2</u>
Excess Revenues (Expenditures)	<u>(18,744)</u>	<u>(18,644)</u>	<u>(18,642)</u>	<u>2</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(18,744)</u>	<u>(18,644)</u>	<u>(18,642)</u>	<u>2</u>
Fund Balances, Beginning	<u>18,644</u>	<u>18,644</u>	<u>18,644</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (100)</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Industrial Development Sales Tax Fund
For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ 300	\$ 280	\$ 280	\$ -
Miscellaneous	-	-	-	-
Total Revenues	300	280	280	-
Expenditures				
General Government	750	112	902	(790)
Economic Development	-	1,160	1,160	-
Capital Outlays	-	4,061	-	4,061
Total Expenditures	750	5,333	2,062	3,271
Excess Revenues (Expenditures)	(450)	(5,053)	(1,782)	3,271
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	(4,005)	(4,005)
Sale of Capital Assets	-	-	-	-
Expenses of Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(4,005)	(4,005)
Net Change in Fund Balances	(450)	(5,053)	(5,787)	(734)
Fund Balances, Beginning	368,996	368,996	368,996	-
Fund Balances, Ending	\$ 368,546	\$ 363,943	\$ 363,209	\$ (734)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Rural Development Grant Fund
For the year ended October 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ 50	\$ 27	\$ -	\$ (27)
Miscellaneous	-	-	-	-
Total Revenues	50	27	-	(27)
Expenditures				
Capital Outlays	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balances	50	27	-	(27)
Fund Balances, Beginning	35,293	35,293	35,293	-
Fund Balances, Ending	\$ 35,343	\$ 35,320	\$ 35,293	\$ (27)

See independent auditor's report.

Business-Type Funds

Proprietary Funds:

- Gas Utility System -** To account for the provision of gas services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- Water Utility System -** To account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- Sewer Utility System -** To account for the provision of sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Town of Franklinton
Comparative Schedule of Net Position - Proprietary Fund Type
As of October 31, 2013 and 2012

	Enterprise Funds	
	2013	2012 (Restated)
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 61,236	\$ 85,074
Investments	2,654,654	2,653,120
Receivables, Net		
Accounts	330,019	377,099
Other Receivables	35,000	-
Inventory - Gas and Supplies	126,262	153,455
Prepaid Insurance	20,290	25,834
Total Current Assets	3,227,461	3,294,582
Restricted Assets:		
Restricted Cash and Cash Equivalents	201,050	191,863
Restricted Investments - Customer Deposits	65,449	65,403
Total Restricted Assets	266,499	257,266
Property, Plant, and Equipment		
Land	3,300	3,300
Property, Plant and Equipment, Net	3,782,412	4,098,409
Construction in Progress	67,743	50,440
Total Property, Plant, and Equipment	3,853,455	4,152,149
Total Assets	7,347,415	7,703,997
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	78,430	104,425
Compensated Absences Payable	17,971	17,064
Other Accrued Payables	34,362	31,367
Due To Other Funds	32,343	19,417
Total Current Liabilities (Payable From Current Assets)	163,106	172,273
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	78,337	88,103
Revenue Bonds Payable	56,910	54,282
Total Current Liabilities (Payable From Restricted Assets)	135,247	142,385
Long Term Liabilities:		
Bonds Payable	2,747,641	2,804,559
Other Post Employment Benefits Obligation	69,823	34,826
Compensated Absences Payable	107,424	102,836
Total Long Term Liabilities	2,924,888	2,942,221
Total Liabilities	3,223,241	3,256,879
Net Position		
Investment in Capital Assets	1,048,904	1,242,868
Restricted for:		
Capital Projects and Debt Service	188,162	169,163
Unrestricted	2,887,108	3,035,087
Total Net Position	\$ 4,124,174	\$ 4,447,118

See independent auditor's report

Town of Franklinton
 Comparative Schedule of Revenues, Expenses and Changes in Net Position
 Proprietary Fund Type
 For the years ended October 31, 2013 and 2012

	Enterprise Funds	
	2013	2012 (Restated)
Operating Revenues		
Gas Sales	\$ 1,028,097	\$ 918,835
Less Cost of Gas Sold	(403,487)	(339,433)
Gross Profit on Gas Sales	624,610	579,402
Water Sales	517,360	518,800
Sewer Service Charges	603,109	573,942
Penalties	32,178	55,480
Intergovernmental	116,760	-
Other	15,554	27,900
Total Operating Revenues	<u>1,909,571</u>	<u>1,755,524</u>
Operating Expenses		
Bad Debts	76,543	129,209
Depreciation	381,922	375,647
Employee Benefits	280,411	237,454
Insurance	88,223	87,895
Meter Reading	33,940	49,744
Repairs and Maintenance	97,436	89,417
Professional Fees	54,701	57,475
Salaries and Wages	626,684	565,590
Supplies	149,974	136,779
Utilities	119,337	119,199
Other	123,436	106,061
Total Operating Expenses	<u>2,032,607</u>	<u>1,954,470</u>
Operating Income (Loss)	<u>(123,036)</u>	<u>(198,946)</u>
Nonoperating Revenues (Expenses)		
Unrealized Gain (Loss) on Investments	720	1,749
Realized Gain (Loss) on Sale of Capital Assets	-	-
Interest Income	1,174	2,110
Interest Expense	(130,807)	(133,313)
Total Nonoperating Revenues (Expenses)	<u>(128,913)</u>	<u>(129,454)</u>
Income (Loss) Before Contributions and Transfers	<u>(251,949)</u>	<u>(328,400)</u>
Contributions and Transfers		
Capital Contributions	-	-
Operating Transfers In	4,005	-
Operating Transfers Out	(75,000)	(82,335)
Change in Net Position	<u>(322,944)</u>	<u>(410,735)</u>
Total Net Position, Beginning		
Before Prior Period Adjustments	4,419,511	4,835,898
Prior Period Adjustments	27,607	21,955
Total Net Position, Beginning, After Prior Period Adjustments	4,447,118	4,857,853
Total Net Position, Ending	<u>\$ 4,124,174</u>	<u>\$ 4,447,118</u>

See independent auditor's report.

Town of Franklinton
Comparative Schedule of Cash Flows
Proprietary Fund Type
For the years ended October 31, 2013 and 2012

	<u>Enterprise Funds</u>	
	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		(Restated)
Received From Customers	\$ 2,227,824	\$ 2,113,482
Paid for Meter Deposit Fees	(9,766)	(14,278)
Other Receipts	97,314	27,900
Receipt (Paid) for Interfund Services	12,926	(11,944)
Payments for Operations	(1,139,462)	(1,050,264)
Payments to Employees	(864,481)	(802,338)
Net Cash Provided (Used) by Operating Activities	<u>324,355</u>	<u>262,558</u>
Cash Flows From Noncapital Financing Activities		
Transfers From (To) Other Funds	(70,995)	(82,335)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(70,995)</u>	<u>(82,335)</u>
Cash Flows From Capital and Related Financing Activities		
Payments for Capital Acquisitions	(83,228)	(105,250)
Principal Proceeds from (Repayments for) Long Term Debt	(54,290)	(51,783)
Interest Payments for Long Term Debt	(130,807)	(133,313)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(268,325)</u>	<u>(290,346)</u>
Cash Flows From Investing Activities		
Receipt of Interest	1,174	2,110
Proceeds from sale (Payments) for Investments	(860)	78,220
Net Cash Provided by Investing Activities	<u>314</u>	<u>80,330</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,651)	(29,793)
Cash and Cash Equivalents, Beginning of Year	<u>276,937</u>	<u>306,730</u>
Cash and Cash Equivalents, End of Year	<u>\$ 262,286</u>	<u>\$ 276,937</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and Cash Equivalents, Unrestricted	\$ 61,236	\$ 85,074
Cash and Cash Equivalents, Restricted	201,050	191,863
Total Cash and Cash Equivalents	<u>\$ 262,286</u>	<u>\$ 276,937</u>

(Continued)

Town of Franklinton
 Comparative Schedule of Cash Flows
 Proprietary Fund Type
 For the years ended October 31, 2013 and 2012

	Enterprise Funds	
	2013	2012 (Restated)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ (123,036)	\$ (198,946)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	381,922	375,647
(Gain) Loss from Sale of Capital Assets	-	-
(Increase) Decrease in Accounts Receivable	47,080	46,425
(Increase) Decrease in Other Receivable	(35,000)	-
(Increase) Decrease in Inventory	27,193	6,333
(Increase) Decrease in Prepaid Insurance	5,544	(5,124)
(Increase) Decrease in Due (to) and from Other Funds	12,926	(11,944)
Increase (Decrease) in Accounts Payable	(25,995)	58,579
Increase (Decrease) in Compensated Absences	5,495	(23,345)
Increase (Decrease) in Accrued Expenses	37,992	29,211
Increase (Decrease) in Customer Deposits	(9,766)	(14,278)
Net Cash Provided by Operating Activities	<u>\$ 324,355</u>	<u>\$ 262,558</u>

(Concluded)

Town of Franklinton
Combining Schedule of Net Position - Proprietary Fund Type - By Department
For the year ended October 31, 2013

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 61,236	\$ -	\$ 61,236
Investments	1,692,998	435,501	526,155	2,654,654
Accounts Receivables, Net	44,855	259,565	25,597	330,017
Other Receivables	-	35,000	-	35,000
Inventory	37,645	64,429	24,188	126,262
Prepaid Insurance	5,303	7,155	7,832	20,290
Total Current Assets	<u>1,780,801</u>	<u>862,886</u>	<u>583,772</u>	<u>3,227,459</u>
Restricted Assets:				
Restricted Cash and Cash Equivalents	(5,179)	111,508	94,721	201,050
Restricted Investments - Customer Deposits	40,289	25,160	-	65,449
Total Restricted Assets	<u>35,110</u>	<u>136,668</u>	<u>94,721</u>	<u>266,499</u>
Property, Plant, and Equipment				
Land	-	3,300	-	3,300
Property, Plant and Equipment, Net	124,065	484,615	3,173,732	3,782,412
Construction in Progress	-	-	67,743	67,743
Total Property, Plant, and Equipment	<u>124,065</u>	<u>487,915</u>	<u>3,241,475</u>	<u>3,853,455</u>
Total Assets	<u>1,939,976</u>	<u>1,487,469</u>	<u>3,919,968</u>	<u>7,347,413</u>
Liabilities				
Current Liabilities (Payable From Current Assets):				
Accounts Payable	34,837	39,297	4,296	78,430
Compensated Absences Payable	6,229	4,121	7,621	17,971
Other Accrued Payables	9,788	10,625	13,949	34,362
Due To Other Funds	1,278	1,843	29,222	32,343
Total Current Liabilities (Payable From Current Assets)	<u>52,132</u>	<u>55,886</u>	<u>55,088</u>	<u>163,106</u>
Current Liabilities (Payable From Restricted Assets):				
Customer Deposits	35,021	36,130	7,186	78,337
Revenue Bonds Payable	-	24,494	32,416	56,910
Total Current Liabilities (Payable From Restricted Assets)	<u>35,021</u>	<u>60,624</u>	<u>39,602</u>	<u>135,247</u>
Long Term Liabilities:				
Bonds Payable	-	945,906	1,801,735	2,747,641
Other Post Employment Benefits Obligation	23,274	23,274	23,274	69,823
Compensated Absences Payable	25,361	26,961	55,102	107,424
Total Long Term Liabilities	<u>48,635</u>	<u>996,141</u>	<u>1,880,111</u>	<u>2,924,888</u>
Total Liabilities	<u>\$ 135,788</u>	<u>\$ 1,112,651</u>	<u>\$ 1,974,801</u>	<u>3,223,241</u>
Net Position				
Investment in Capital Assets				1,048,904
Restricted for:				
Capital Projects and Debt Service				188,162
Unrestricted				2,887,108
Total Net Position				<u>\$ 4,124,174</u>

See independent auditor's report.

Town of Franklinton
Combining Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type - By Department
For the year ended October 31, 2013

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ 1,028,097	\$ -	\$ -	\$ 1,028,097
Less Cost of Gas Sold	(403,487)	-	-	(403,487)
Gross Profit on Gas Sales	<u>624,610</u>	<u>-</u>	<u>-</u>	<u>624,610</u>
Water Sales	-	517,360	-	517,360
Sewer Service Charges	-	-	603,109	603,109
Penalties	13,512	8,043	10,623	32,178
Intergovernmental	-	116,760	-	116,760
Other	<u>1,835</u>	<u>8,624</u>	<u>5,095</u>	<u>15,554</u>
Total Operating Revenues	<u>639,957</u>	<u>650,787</u>	<u>618,827</u>	<u>1,909,571</u>
Operating Expenses				
Bad Debts	36,486	18,540	21,517	76,543
Depreciation	28,593	90,797	262,532	381,922
Employee Benefits	91,345	71,383	117,683	280,411
Insurance	24,795	30,415	33,013	88,223
Meter Reading	12,321	10,810	10,809	33,940
Repairs and Maintenance	8,136	60,400	28,900	97,436
Professional Fees	11,000	10,000	33,701	54,701
Salaries and Wages	201,667	168,652	256,365	626,684
Supplies	31,115	99,805	19,054	149,974
Utilities	-	53,496	65,841	119,337
Other	<u>51,212</u>	<u>30,726</u>	<u>41,498</u>	<u>123,436</u>
Total Operating Expenses	<u>496,670</u>	<u>645,024</u>	<u>890,913</u>	<u>2,032,607</u>
Operating Income (Loss)	<u>143,287</u>	<u>5,763</u>	<u>(272,086)</u>	<u>(123,036)</u>
Nonoperating Revenues (Expenses)				
Unrealized Gain (Loss) on Investments	731	(11)	-	720
Interest Income	741	289	144	1,174
Interest Expense	<u>-</u>	<u>(49,934)</u>	<u>(80,873)</u>	<u>(130,807)</u>
Total Nonoperating Revenues (Expenses)	<u>1,472</u>	<u>(49,656)</u>	<u>(80,729)</u>	<u>(128,913)</u>
Income (Loss) Before Transfers	<u>144,759</u>	<u>(43,893)</u>	<u>(352,815)</u>	<u>(251,949)</u>
Transfers				
Operating Transfers In	4,005	-	-	4,005
Operating Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(75,000)</u>
Change in Net Position	<u>\$ 123,764</u>	<u>\$ (68,893)</u>	<u>\$ (377,815)</u>	<u>(322,944)</u>
Total Net Position, Beginning				4,419,511
Prior Period Adjustment (Note 22)				<u>27,607</u>
Total Net Position, Ending				<u>\$ 4,124,174</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Gas Utility System
For the year ended October 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Gas Sales	\$ 1,040,000	\$ 1,028,097	\$ (11,903)
Less Cost of Gas Sold	(403,440)	(403,487)	(47)
Gross Profit on Gas Sales	<u>636,560</u>	<u>624,610</u>	<u>(11,950)</u>
Penalties	13,650	13,512	(138)
Other	1,275	1,835	560
Total Operating Revenues	<u>651,485</u>	<u>639,957</u>	<u>(11,528)</u>
Operating Expenses			
Bad Debts	-	36,486	(36,486)
Depreciation	23,080	28,593	(5,513)
Employee Benefits	78,068	91,345	(13,277)
Insurance	22,947	24,795	(1,848)
Meter Reading	10,000	12,321	(2,321)
Repairs and Maintenance	8,500	8,136	364
Professional Fees	11,000	11,000	-
Salaries and Wages	198,000	201,667	(3,667)
Supplies	20,600	31,115	(10,515)
Other	46,733	51,212	(4,479)
Total Operating Expenses	<u>418,928</u>	<u>496,670</u>	<u>(77,742)</u>
Operating Income (Loss)	<u>232,557</u>	<u>143,287</u>	<u>(89,270)</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	731	731
Interest Income	600	741	141
Total Nonoperating Revenues (Expenses)	<u>600</u>	<u>1,472</u>	<u>872</u>
Income (Loss) Before Transfers	<u>233,157</u>	<u>144,759</u>	<u>(88,398)</u>
Transfers			
Operating Transfers In	-	4,005	4,005
Operating Transfers Out	(25,000)	(25,000)	-
Change in Net Position	<u>\$ 208,157</u>	<u>\$ 123,764</u>	<u>\$ (84,393)</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water Utility System
For the year ended October 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 525,750	\$ 517,360	\$ (8,390)
Penalties	8,100	8,043	(57)
Intergovernmental	46,760	116,760	70,000
Other	8,025	8,624	599
Total Operating Revenues	<u>588,635</u>	<u>650,787</u>	<u>62,152</u>
Operating Expenses			
Administrative	3,000	2,973	27
Bad Debts	-	18,540	(18,540)
Depreciation	90,580	90,797	(217)
Employee Benefits	64,790	71,383	(6,593)
Insurance	28,567	30,415	(1,848)
Meter Reading	9,500	10,810	(1,310)
Repairs and Maintenance	60,250	60,400	(150)
Professional Fees	10,000	10,000	-
Salaries and Wages	165,500	168,652	(3,152)
Supplies	30,200	99,805	(69,605)
Utilities	50,262	53,496	(3,234)
Other	85,990	30,726	55,264
Total Operating Expenses	<u>598,639</u>	<u>647,997</u>	<u>(49,358)</u>
Operating Income (Loss)	<u>(10,004)</u>	<u>2,790</u>	<u>12,794</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	(11)	(11)
Interest Income	240	289	49
Interest Expense	(49,150)	(49,934)	(784)
Total Nonoperating Revenues (Expenses)	<u>(48,910)</u>	<u>(49,656)</u>	<u>(746)</u>
Income (Loss) Before Transfers	<u>(58,914)</u>	<u>(46,866)</u>	<u>12,048</u>
Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	(25,000)	(25,000)	-
Change in Net Position	<u>\$ (83,914)</u>	<u>\$ (71,866)</u>	<u>\$ 12,048</u>

See independent auditor's report

Town of Franklinton
 Schedule of Revenues, Expenses and Changes in Net Position
 Budget (GAAP Basis) and Actual, Proprietary Fund Type, Sewer Utility System
 For the year ended October 31, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer Charges	\$ 607,700	\$ 603,109	\$ (4,591)
Penalties	10,750	10,623	(127)
Other	4,475	5,095	620
Total Operating Revenues	<u>622,925</u>	<u>618,827</u>	<u>(4,098)</u>
Operating Expenses			
Administrative	3,500	4,398	(898)
Bad Debts	-	21,517	(21,517)
Depreciation	261,988	262,532	(544)
Employee Benefits	102,317	117,683	(15,366)
Insurance	31,165	33,013	(1,848)
Meter Reading	10,000	10,809	(809)
Repairs and Maintenance	37,300	28,900	8,400
Professional Fees	33,703	33,701	2
Salaries and Wages	253,700	256,365	(2,665)
Supplies	16,000	19,054	(3,054)
Utilities	62,750	65,841	(3,091)
Other	40,955	41,498	(543)
Total Operating Expenses	<u>853,378</u>	<u>895,311</u>	<u>(41,933)</u>
Operating Income (Loss)	<u>(230,453)</u>	<u>(276,484)</u>	<u>(46,031)</u>
Nonoperating Revenues (Expenses)			
Interest Income	88	144	56
Interest Expense	(80,705)	(80,873)	(168)
Total Nonoperating Revenues (Expenses)	<u>(80,617)</u>	<u>(80,729)</u>	<u>(112)</u>
Income (Loss) Before Transfers	<u>(311,070)</u>	<u>(357,213)</u>	<u>(46,143)</u>
Transfers and Capital Contributions			
Operating Transfers In	-	-	-
Operating Transfers Out	(25,000)	(25,000)	-
Change in Net Position	<u>\$ (336,070)</u>	<u>\$ (382,213)</u>	<u>\$ (46,143)</u>

See independent auditor's report

Town of Franklinton
Schedule of Gas, Water and Sewer Rates
Proprietary Fund Type
For the year ended October 31, 2013

Gas

Residential Rates	Commercial Rates
\$ 8.50 - Base charge "plus" Cost of Gas to City (CCF) plus charge of \$0.60 per CCF, times Consumer Price Index (CPI)	\$ 15.00 - Base charge "plus" Cost of Gas to City (CCF) plus charge of \$0.60 per CCF, times Consumer Price Index (CPI)
Industrial Rates	
Base Price of \$25, plus negotiated rate based on cost analysis	

Water

Residential Rates	Commercial Rates
\$ 15.00 - Base Charge	\$ 20.00 - Base Charge
\$ 1.50 - Per 1,000 Gallons of Water	\$ 1.50 - Per 1,000 Gallons of Water
For all Water Service Outside of City	
\$ 21.00 - Base Charge	
\$ 1.50 - Per 1,000 Gallons of Water	

Sewer

Residential Rates	Commercial Rates
\$ 15.00 - Base Charge	\$ 20.00 - Base Charge
\$ 2.50 - Per 1,000 Gallons of Water	\$ 2.50 - Per 1,000 Gallons of Water

Schedule of Number of Customers
Proprietary Fund Type
For the year ended October 31, 2013

	Residential	Commercial	Industrial	Total
Gas	723	191	3	917
Water	1,134	368	3	1,505
Sewer	1,159	343	3	1,505
Total	3,016	902	9	3,927

Commercial customers have a meter size larger than the residential size (3/4") = 26.

Town of Franklinton
Schedule of Insurance
For the year ended October 31, 2013

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
CNA			
MNP271360437	Commercial Property	\$ 3,122,957	4/4/2013 to 4/4/2014
MNA271360986	Commercial Automobile	1,000,000	4/4/2013 to 4/4/2014
MNA271361006	Commercial Automobile	1,000,000	4/4/2013 to 4/4/2014
MNP271360437	Inland Marine (Scheduled)	664,571	4/4/2013 to 4/4/2014
CNA			
68486705	Fidelity Bond: Mayor	100,000	4/4/2013 to 4/4/2014
68486705	Fidelity Bond: Clerk	100,000	4/4/2013 to 4/4/2014
01166022A	Fidelity Bond: Limit each of two Assistant Clerks	15,000	4/4/2013 to 4/4/2014
Imperium Insurance			
ILR18-00005-02	Commerical General Liability	1 mil/2mil	4/4/2013 to 4/4/2014
Louisiana Workers Comp Corporation	Workers Compensation at Statutory Limitations:		11/15/2012 to 11/15/2013
LWCC 72437	Employers Liability (each accident)	100,000	
	Employees Liability (each accident)	100,000	
	Disease, Policy Limit		
Old Republic PR-00149113	Airport Liability	1,000,000	2/19/2013 to 2/19/2014
Columbia Casualty 223457718	Law Enforcement Liability	1 mil/ 2 mil	4/4/2013 to 4/4/2014
223457752	Public Officials Errors & Omissions	1 mil/ 2 mil	

See independent auditor's report.

Town of Franklinton
Schedule of Compensation Paid to Board Members
For the year ended October 31, 2013

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Wayne Fleming, Mayor (985) 839-0173	1507 12th Avenue Franklinton, LA 70438	\$ 28,744	12/31/2016
John L. Daniel, Alderman (985) 839-2382	309 10th Avenue Franklinton, LA 70438	9,600	12/31/2016
Florence R. Manning, Alderwoman (985) 839-4291	P.O. Box 684 Franklinton, LA 70438	1,600	12/31/2012
T.J. Butler, Alderman (985) 839-3436	727 18th Avenue Franklinton, LA 70438	9,600	12/31/2016
Brad Orman, Alderman (985) 515-3277	1049 Main Street Franklinton, LA 70438	9,600	12/31/2016
Richard Dillon, Alderman (985) 515-9877	1102 Lynnwood Drive Franklinton, LA 70438	9,600	12/31/2016
Heath Spears, Alderman (985) 515-7411	1041 Bickham Street Franklinton, LA 70438	8,000	12/31/2016
		<u>\$ 76,744</u>	

Minda B. Raybourn

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Limited Liability Company

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Fax (985) 839-4402

Member
AICPA

Member
ICPA

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

To the Honorable Mayor Wayne Fleming
And Board of Aldermen
Town of Franklinton, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklinton, Louisiana, as of and for the year ended October 31, 2013, and the related notes to the financial statements, which collectively comprise Town of Franklinton, Louisiana, 's basic financial statements and have issued our report thereon dated May 2, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in 2013-1 through 2013-3 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I did not identify any deficiencies in internal control that I would consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Franklinton's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of my tests disclosed two 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 item 2013-1 and 2013-2.

Town of Franklinton, Louisiana's Response to Findings

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

Purpose of this Report

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

Minda Raybourn

Franklinton, Louisiana

May 2, 2014

Town of Franklinton, Louisiana
Schedule of Current Year Audit Findings
For the Year Ended October 31, 2013

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not
considered to be material weaknesses? Yes X No

Noncompliance material to the financial statements note? X Yes No

Town of Franklinton, Louisiana
Schedule of Current Year Audit Findings and Responses
For the Year Ended October 31, 2013

Section 2-Internal Control Findings

2013-1 Property Tax Collections

Criteria: There is adequate separation among employees in preparing property tax notices, collecting on accounts, and posting the property taxes collected.

Condition: Normally when a property tax assessment is paid, the clerk stamps the date paid on the notice and forwards the money and tax notice for deposit. Upon inspection of some of the property tax collections, I noticed some of the collections were paid on 12/30/2013 were deposited weeks and in some cases over a month to two months later. Upon a closer look of these payments that were deposited, the date that was stamped on the tax notice was covered with white correction fluid. In addition, the amount that was due was marked through with ink and penalties were handwritten on the notice and added to the bill. The clerk was asked about the penalties that were assessed on payments that were made timely and the clerk stated she did not know the reason. The clerk was asked why the money was received timely, receipted, the receipt altered, and the money deposited so late, the clerk stated she did not know. After this discovery, the clerk has since been released of her duties. I have notified the Louisiana Legislative Auditor's office and the office of the District Attorney of the 22nd Judicial District of the events described. The amount involved is \$2,781.

Cause: There appears to be a lack of separation of duties. There also appears to be a shortage of staff in handling billing, collecting, and posting.

Effect: Timely paid property tax collections were deposited late. The receipt dates altered indicate there may be kiting occurring.

Recommendation: I recommend that the Town separate the duties of the property tax billing and collections. There needs to be one person performing the billing duty and a second person collecting the funds. I also recommend a different person perform the duty of posting the collections to the taxpayer's account. The Town has historically had two people in the front office to handle billing and collections. In order to accomplish the separation of duties, I recommend three people be hired to fulfill the duties of the front office.

Management's Response: Management agrees with the auditor's recommendations and will take steps to implement them.

Town of Franklinton, Louisiana
Schedule of Current Year Audit Findings and Responses
For the Year Ended October 31, 2013

Section 2-Internal Control Findings and Findings of Noncompliance

2013-2 Utility Accounts Receivable

Criteria: There is adequate separation among employees in preparing utility bills, collecting on accounts, posting the payments collected, preparing the cutoff lists, and approving and posting adjustments to customers' accounts.

Condition: During my testing of utility accounts receivable, I noticed that the list of customer accounts to be written off as bad debt were written off in the prior year. The same accounts that had been written off in the prior year were being written off again. In addition, a customer came to the office to dispute the bill that was sent. The customer provided receipts which were not reflected on her account history in the utility billing system. Following this, a sample of customers whom pay primarily with cash were selected for confirmations. The customers were mailed a six month printout of their account history including the current balance due. All of the responses from these customers stated they did not agree with the balance reflected. Most customers indicated they almost always did not receive a utility bill in the mail. Instead, they contacted the clerks at Town Hall for their balance due either through telephone or they walked in at the front office. There were some customers who provided handwritten receipts or bill marked "paid". These payments were researched and some were not posted to the customer's account. In addition, there were some payments that were posted days or weeks later.

Subsequent to these discoveries, both utility clerks were questioned regarding the discrepancies. Each clerk was shown copies of the discrepancies from the customers. It was asked why the payments were not posted to the customer accounts. It was stated that when the account history was pulled, it showed a balance due on these customers in each aging category and that the customers was still receiving services each month. Both clerks admitted to borrowing from the utility collections. They have been relieved of their duties. I have notified the Louisiana Legislative Auditor's office and the office of the District Attorney of the 22nd Judicial District of the events described. The total amount of collections in question is \$47,431.

Some of the customers brought forth documentation turned in bills marked "paid". I tested some of these bills to see if the amount charged would come back to the usage at the current assessed rate. There are some cases where accounts were charged \$5 to \$10 more than they should have been.

In the prior year's audit findings, finding number 2012-1 indicated that there were customers receiving services whose accounts were delinquent. During my tests of the current fiscal year being reported on, the clerk handling the billing and posting functions also was responsible for the cut off list. It does not appear any other person was handling this procedure.

Cause: The Town had two clerks that handled all functions of the utility processes. This included preparing the bills, collecting payments, and posting payments. One of the clerks had full administrative control of the utility billing software. This included making changes and adjustments to the customer's accounts. The same clerk also compiled the cutoff list each month.

Town of Franklinton, Louisiana
Schedule of Current Year Audit Findings and Responses
For the Year Ended October 31, 2013

Section 2-Internal Control Findings and Findings of Noncompliance

2013-2 continued

Effect: The Town's utility collections from some of the cash paying customers were not posted to the utility billing system or deposited to the Town's bank account. This has caused some of the utility accounts to be incorrectly stated. In addition, the

Recommendation: I recommend that the Town separate the duties of the utility billing and collections. There needs to be one person performing the billing duty and a second person collecting the funds. I also recommend a different person perform the duty of posting the collections to the taxpayer's account. The Town has historically had two people in the front office to handle billing and collections. In order to accomplish the separation of duties, I recommend three people be hired to fulfill the duties of the front office. In addition, I also recommend all adjustments to customer accounts be reviewed and approved by the Mayor. I also recommend the accounts that be reviewed for accuracy in the amounts and rates being billed. The cut off list for services needs to be reviewed and approved by either the Clerk or Mayor.

Management's Response: Management agrees with the auditor's recommendations and will take steps to implement them.

Section 3-Internal Control Findings

2013-3 Payroll Expenditures

Criteria: The Town utilizes a time card system to compute time for the Town's employees.

Condition: During the test of payroll expenditures, it was discovered that the payroll time cards for the police department were missing for the period of 1/13/13 through 9/13/13.

Cause: Payroll time cards for the police department for 1/13/13 through 9/13/13 could not be located.

Effect: Hours paid cannot be substantiated if the time cards are not presented.

Recommendation: The time cards for the police department will now be submitted with the payroll report to the payroll clerk for recordkeeping.

Management's Response: Management agrees with the auditor's recommendations and will take steps to implement them.

Town of Franklinton
Schedule of Prior Year Findings
For the Year Ended October 31, 2013

Internal Control Over Findings

2012-1 Utility Accounts Receivable

This finding has not been resolved.

2012-2 Fine and Ticket Collections

This finding has been resolved.