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TOWN OF FERRIDAY, LOUISIANA

Annual Financial Statements

**As of June 30, 2005 and for the
Year Then Ended**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/8/06

Town of Ferriday, Louisiana
Annual Financial Statements
As of and for the Year Ended June 30, 2005
With Supplemental Information Schedules

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Town of Ferriday, Louisiana
Annual Financial Statements
As of and for the Year Ended June 30, 2005
With Supplemental Information Schedules

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SECTION I
REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

As management of the Town of Ferriday, Louisiana, we offer readers of the Town of Ferriday, Louisiana's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2005 and 2004. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2005 and 2004, the Town of Ferriday's net assets increased in 2005, which resulted in ending net assets of \$4,333,372 and decreased in 2004 and resulted in ending net assets of \$3,109,928.

1. The beginning cash balance at July 1, 2003 for the Town of Ferriday was \$1,136,457. The ending cash balance was \$740,237 as of June 30, 2004 and \$1,197,079 at June 30, 2005.
2. The governmental activities had \$2,949,850 in revenue in 2005 and \$2,289,265 in revenues for 2004, which primarily consisted of sales taxes, property taxes, occupational license taxes, franchise taxes and fines. There was \$1,819,554 in governmental expenses in 2005 and \$2,536,924 in 2004.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year.

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

The governmental fund financial statements can be found on pages 14-20 of this report.

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,333,372 as of June 30, 2005.

Net Assets for the period ending June 30, 2005 and 2004

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

	Governmental Activities	Business Type Activities	2005 Total	2004 Total
Current Assets	\$ 874,819	\$ 499,969	\$ 1,374,788	\$ 937,403
Noncurrent Assets	<u>1,829,648</u>	<u>6,731,728</u>	<u>8,561,376</u>	<u>8,603,431</u>
Total Assets	<u>2,704,467</u>	<u>7,231,697</u>	<u>9,936,164</u>	<u>9,540,834</u>
Current Liabilities	530,458	98,398	628,856	927,297
Noncurrent Liabilities	<u>1,790,000</u>	<u>3,183,936</u>	<u>4,973,936</u>	<u>5,133,362</u>
Total Liabilities	<u>2,320,458</u>	<u>3,282,334</u>	<u>5,602,792</u>	<u>8,885,126</u>
Net Assets				
Investment in capital assets, net of related debt	1,619,457	3,547,792	5,167,249	5,264,421
Unrestricted (deficit)	<u>(1,235,448)</u>	<u>401,571</u>	<u>(833,877)</u>	<u>(1,784,246)</u>
Total Net Assets (deficit)	<u>\$ 384,009</u>	<u>\$ 3,949,363</u>	<u>\$ 4,333,372</u>	<u>\$3,480,175</u>

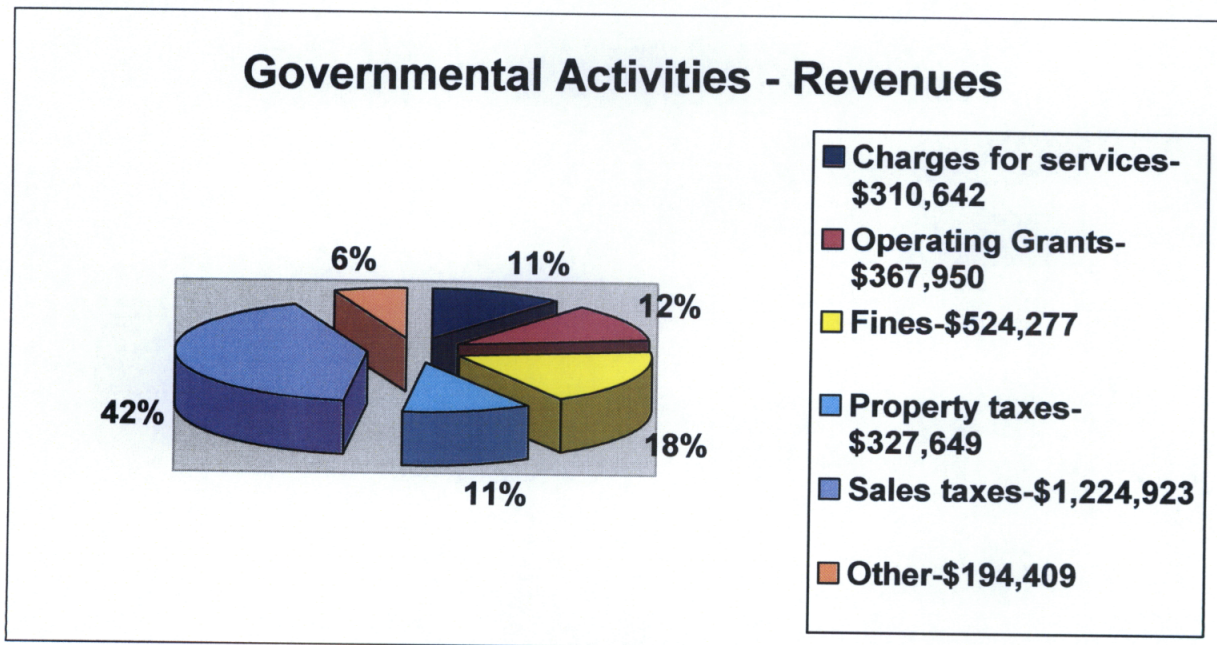
The following is a summary of the statement of activities:

	Year ended June 30,			
	Governmental Activities	Business Type Activities	2005 Total	2004 Total
Revenues				
Program revenues	\$ 2,949,850	\$ 742,239	\$ 3,692,089	\$ 3,769,368
Transfers	<u>(280,633)</u>	<u>280,633</u>	<u>-</u>	<u>-</u>
Total revenues and transfers	<u>2,669,217</u>	<u>1,022,872</u>	<u>3,692,089</u>	<u>3,769,368</u>

TOWN OF FERRIDAY, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2005

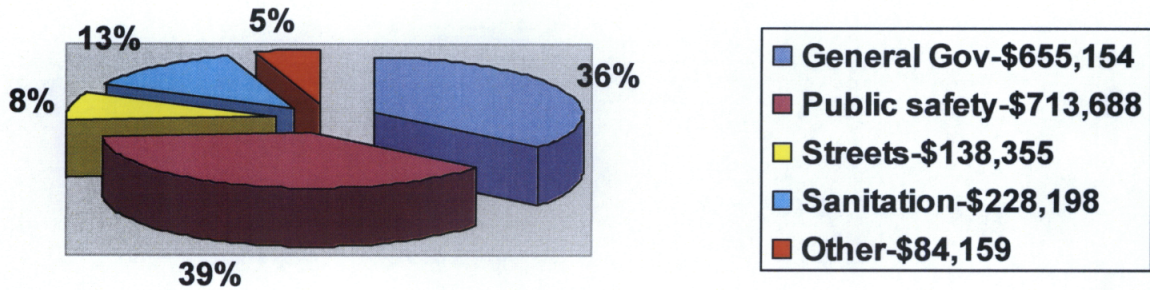
	Governmental Activities	Business Type Activities	2005 Total	2004 Total
Expenses:				
General and administrative	\$ 655,154	\$ -	\$ 655,154	\$ 993,175
Public safety	713,688	-	713,688	683,625
Streets	138,355	-	138,355	140,522
Sanitation	228,198	-	228,198	283,942
Other		-	-	1,459
Interest expense	84,159	-	84,159	63,954
Utility operations	-	1,019,338	1,019,338	1,288,517
Total expenses	<u>1,819,554</u>	<u>1,019,338</u>	<u>2,838,892</u>	<u>3,858,230</u>
Increase (decrease) in net assets	849,663	3,534	853,197	314,174
Net assets July 1	(465,654)	3,945,829	3,480,175	3,166,001
Net assets June 30	<u>\$ 384,009</u>	<u>\$ 3,949,363</u>	<u>\$ 4,333,372</u>	<u>\$ 3,480,175</u>

The following are a graphical representation of information presented in the Statement of Activities for Governmental Activities.



TOWN OF FERRIDAY, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2005

Governmental Activities - Expenses



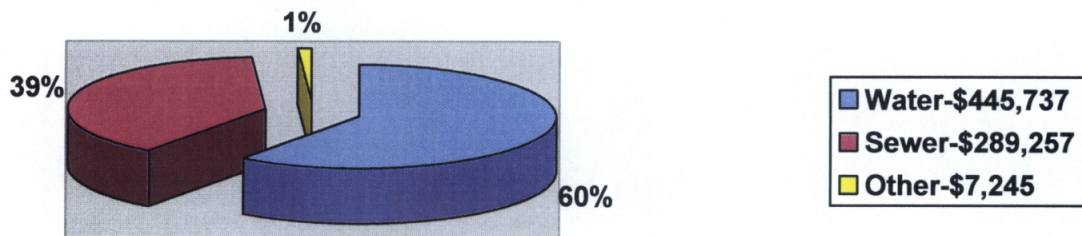
The notes to the financial statements have additional information presented that is essential to a full understanding of the data provided in the government-wide financial statements.

Business Type Activities

The Business-Type Activities of the Town are those that charge a fee to customers for the services provided. The Town has two Business-Type Activities, (water & sewer) which are accounted for in enterprise funds.

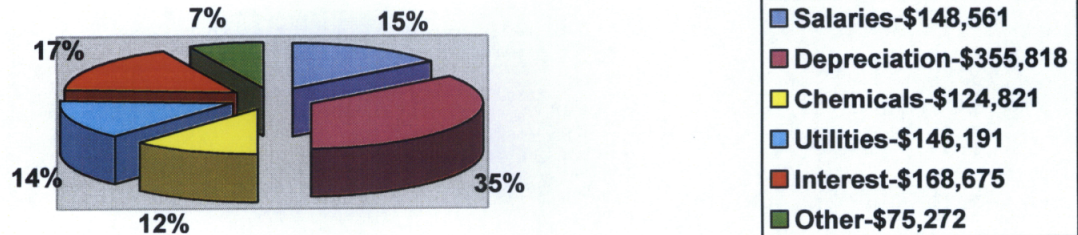
The following are graphical representations of information in the Statement of Activities for Business Type Activities:

Business Type Activities - Revenues



TOWN OF FERRIDAY, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2005

Business Type Activities - Expenses



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

Comments on General Fund Comparisons

The Town's budget was amended once during the last year. The changes were made to show the effects of cost cutting and revenue increases from changes in operations. The budgeted expenditures were \$2,354,947 and revenues were budgeted at \$2,797,400.

Actual expenditures exceeded the budgeted amounts by \$84,588 and actual revenue was \$11,339 less than the budgeted amounts.

CAPITAL ASSETS

As of June 30, 2005, the Town had \$1,829,647 invested in capital assets in the general fund and \$6,731,728 in the proprietary fund. This year there were additions of \$400,103 in the general fund and \$17,396 in the proprietary fund. The following capital assets were purchased in 2005:

General fund:	
1. 2 Used Police Cars	\$ 20,200
2. 4 Police Cars	103,521
3. Access Road	230,300
4. Community Center Improvements	6,478
5. Heat & AC at City Hall	1,800
6. Carpet	850
7. Street Overlay	36,954
	<u>\$ 400,103</u>
Enterprise fund:	
8. Testing Machine	\$ 6,600
9. Polymer Machine	3,796
10. Compaq Computer	7,000
	<u>\$ 17,396</u>

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

REQUEST FOR INFORMATION

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

SWITZER, HOPKINS & MANGE

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Honorable Gene T. Allen, Mayor
and the Board of Aldermen
Town of Ferriday
Ferriday, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Ferriday, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business type activities for the primary government of the Town, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2006 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Mayor and the Board of Aldermen
Page Two

The management's discussion and analysis and budgetary comparison information on Page 1 through 6 and Pages 20 and 30 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Town. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ferriday, Louisiana
January 19, 2006

Switzer, Hopkins & Manger

**SECTION II
GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF FERRIDAY, LOUISIANA
Statement of Net Assets
June 30, 2005

	<u>Statement A</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 798,257	\$ 38,402	\$ 836,659
Receivables (net of allowances for uncollectible amounts)	75,421	101,147	176,568
Accrued interest receivable	1,141	-	1,141
Restricted assets	-	360,420	360,420
Capital assets (net)	<u>1,829,648</u>	<u>6,731,728</u>	<u>8,561,376</u>
 Total assets	 <u>2,704,467</u>	 <u>7,231,697</u>	 <u>9,936,164</u>
<u>LIABILITIES</u>			
Accounts and other payables	277,485	13,060	290,545
Taxes payable	7,901	681	8,582
Accrued compensated absences	4,352	752	5,104
Customer deposits	-	66,634	66,634
Accrued interest	30,529	17,271	47,800
Capital leases	210,191	-	210,191
Notes and bonds payable			-
Due within one year	175,000	238,599	413,599
Due in more than one year	<u>1,615,000</u>	<u>2,945,337</u>	<u>4,560,337</u>
 Total liabilities	 <u>2,320,458</u>	 <u>3,282,334</u>	 <u>5,602,792</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,619,457	3,547,792	5,167,249
Restricted for:			
Debt service	273,294	346,548	619,842
Unrestricted (deficit)	<u>(1,508,742)</u>	<u>55,023</u>	<u>(1,453,719)</u>
 Total net assets	 <u>\$ 384,009</u>	 <u>\$ 3,949,363</u>	 <u>\$ 4,333,372</u>

See accompanying notes to the financial statements.

TOWN OF FERRIDAY, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2005

Statement B

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
			<u>Grants and Contributions</u>			
<u>Governmental Activities:</u>						
General government	\$ 655,154	\$ 310,642	\$ 277,950	\$ (66,562)	\$ -	\$ (66,562)
Public safety	713,688	524,277	90,000	(99,411)	-	(99,411)
Streets	138,355	-	-	(138,355)	-	(138,355)
Sanitation	228,198	-	-	(228,198)	-	(228,198)
Interest on long-term debt	84,159	-	-	(84,159)	-	(84,159)
Total governmental activities	<u>1,819,554</u>	<u>834,919</u>	<u>367,950</u>	<u>(616,685)</u>	<u>-</u>	<u>(616,685)</u>
<u>Business-type Activities:</u>						
Utilities	<u>\$ 1,019,338</u>	<u>\$ 734,994</u>	<u>\$ 4,800</u>	<u>\$ -</u>	<u>\$ (279,544)</u>	<u>\$ (279,544)</u>
<u>General Revenues</u>						
Taxes						
Property taxes				327,649	-	327,649
Sales taxes				1,224,923	-	1,224,923
Other taxes				157,644	-	157,644
Interest income				948	2,445	3,393
Other				35,817	-	35,817
Transfers				(280,633)	280,633	-
Total general revenues, gains and transfers				<u>1,466,348</u>	<u>283,078</u>	<u>1,749,426</u>
Change in net assets				849,663	3,534	853,197
Net assets, July 1, 2004 (Restated Note 14)				<u>(465,654)</u>	<u>3,945,829</u>	<u>3,480,175</u>
Net Assets, June 30, 2005				<u>\$ 384,009</u>	<u>\$ 3,949,363</u>	<u>\$ 4,333,372</u>

See accompanying notes to the financial statements.

FUND FINANCIAL STATEMENTS (FSS)

TOWN OF FERRIDAY, LOUISIANA
Balance Sheet, Governmental Funds
June 30, 2005

Statement C

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 453,583	\$ 302,682	\$ 41,992	\$ 798,257
Accounts receivable (net where applicable of allowance for uncollectibles)				
Rehabilitation grants	14,083	-	-	14,083
Fees and services	61,338	-	-	61,338
Accrued interest receivable	-	1,141	-	1,141
Total Assets	529,004	303,823	41,992	874,819
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	277,485	-	-	277,485
Accrued payroll taxes	7,901	-	-	7,901
Accrued compensated absences	4,352	-	-	4,352
Accrued interest	-	30,529	-	30,529
Total Liabilities	289,738	30,529	-	320,267
<u>FUND BALANCES</u>				
Reserved for:				
Debt service	-	273,294	-	273,294
Unreserved, reported in:				
General fund	239,266	-	-	239,266
Capital projects	-	-	41,992	41,992
Total Fund Balances	239,266	273,294	41,992	554,552
Total Liabilities and Fund Balance	\$ 529,004	\$ 303,823	\$ 41,992	\$ 874,819

See accompanying notes to the financial statements.

TOWN OF FERRIDAY, LOUISIANA
 Reconciliation of the Balance Sheet
 To the Statement of Net Assets
 June 30, 2005

Statement D

Fund Balances - total governmental funds (Statement C)		\$ 554,552
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Capital assets	\$3,384,522	
Less accumulated depreciation	<u>(1,554,874)</u>	1,829,648
<p>Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:</p>		
Capital leases payable	(210,191)	
General obligation bonds	(1,135,000)	
Public improvement bonds	<u>(655,000)</u>	<u>(2,000,191)</u>
Net Assets of Governmental Activities (Statement A)		<u>\$ 384,009</u>

See accompanying notes to the financial statements.

TOWN OF FERRIDAY, LOUISIANA
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2005

	General Fund	Debt Service Fund	Capital Projects Fund	<u>Statement E</u> Total
<u>REVENUES</u>				
Taxes	\$ 1,569,485	\$ 140,731	\$ -	\$ 1,710,216
Licenses and permits	105,896	-	-	105,896
Intergovernmental				
Federal grants	90,000	-	-	90,000
State funds	277,950	-	-	277,950
Charges for services	204,746	-	-	204,746
Fines	524,277	-	-	524,277
Miscellaneous	35,817	-	-	35,817
Total Revenues	<u>2,808,171</u>	<u>140,731</u>	<u>-</u>	<u>2,948,902</u>
<u>EXPENDITURES</u>				
Current				
General government and administration	618,177	-	-	618,177
Public Safety				
Police	528,465	-	-	528,465
Fire	148,583	-	-	148,583
Streets	108,235	-	-	108,235
Sanitation	228,198	-	-	228,198
Capital outlays	363,149	-	36,955	400,104
Debt Service				
Principal	-	165,000	-	165,000
Interest	-	84,159	-	84,159
Total Expenditures	<u>1,994,807</u>	<u>249,159</u>	<u>36,955</u>	<u>2,280,921</u>
Excess of Revenues Over (Under) Expenditures	813,364	(108,428)	(36,955)	667,981
Other Financing Sources and (Uses)				
Interest income	568	380	-	948
Transfers in	-	139,921	-	139,921
Transfer out	(420,554)	-	-	(420,554)
Capital leases	(24,174)	-	-	(24,174)
Total Other Financing Sources and (Uses)	<u>(444,160)</u>	<u>140,301</u>	<u>-</u>	<u>(303,859)</u>
Net changes in fund balances	369,204	31,873	(36,955)	364,122
Fund balances - July 1, 2004 (deficit)	<u>(129,938)</u>	<u>241,421</u>	<u>78,947</u>	<u>190,430</u>
Fund balances - June 30, 2005	<u>\$ 239,266</u>	<u>\$ 273,294</u>	<u>\$ 41,992</u>	<u>\$ 554,552</u>

See accompanying notes to the financial statements.

TOWN OF FERRIDAY, LOUISIANA
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balance
 To the Statement of Activities – Governmental Funds
 June 30, 2005

Statement F

Net Change in Fund Balances - total government funds (Statement E) \$ 364,122

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

Governmental funds report capital outlays as expenditures.
 However, in the Statement of Activities, the cost of
 those assets is depreciated over their estimated
 useful lives:

Expenditures for capital assets	\$ 400,104	
Less current year depreciation	<u>(103,737)</u>	296,367

Repayment of debt principal is an expenditure in the
 governmental funds, but the repayment reduces
 long-term liabilities in the Statement of Net Assets

Principal portion of capital leases	24,174	
Repayment of debt	<u>165,000</u>	<u>189,174</u>

Changes in Net Assets of Governmental Funds (Statement B) \$ 849,663

TOWN OF FERRIDAY, LOUISIANA
Utility Enterprise Fund
Statement of Net Assets
June 30, 2005

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Statement G</u> <u>Total</u>
Current Assets			
Cash	\$ 12,616	\$ 25,786	\$ 38,402
Accounts receivable, utility sales (Net of allowance of \$20,900 and \$7,600 respectively)	<u>49,032</u>	<u>52,115</u>	<u>101,147</u>
Total current assets	<u>61,648</u>	<u>77,901</u>	<u>139,549</u>
Non-Current Assets - Restricted Assets			
Bond Debt Service Fund	73,150	100,410	173,560
Bond Sinking Fund	45,952	-	45,952
Depreciation Fund	31,437	95,599	127,036
Consumer Deposits	<u>13,872</u>	<u>-</u>	<u>13,872</u>
Total non-current assets - restricted assets	<u>164,411</u>	<u>196,009</u>	<u>360,420</u>
Non-Current Assets - Capital Assets			
Property, plant and equipment	5,836,867	6,358,340	12,195,207
Less accumulated depreciation	<u>(2,697,185)</u>	<u>(2,766,294)</u>	<u>(5,463,479)</u>
Total non-current assets - capital assets	<u>3,139,682</u>	<u>3,592,046</u>	<u>6,731,728</u>
TOTAL ASSETS	<u><u>3,365,741</u></u>	<u><u>3,865,956</u></u>	<u><u>7,231,697</u></u>
LIABILITIES			
Current Liabilities (Payable from current assets)			
Accounts payable	7,397	5,663	13,060
Sales tax payable	681	-	681
Accrued compensated absences	<u>752</u>	<u>-</u>	<u>752</u>
Total current liabilities (payable from current assets)	<u>8,830</u>	<u>5,663</u>	<u>14,493</u>
Current Liabilities (Payable from restricted assets)			
Customer deposits	66,634	-	66,634
Notes payable, current portion	198,111	40,488	238,599
Accrued interest payable	<u>14,553</u>	<u>2,718</u>	<u>17,271</u>
Total current liabilities (payable from restricted assets)	<u>279,298</u>	<u>43,206</u>	<u>322,504</u>
Long Term Liabilities			
Notes payable	<u>1,663,025</u>	<u>1,282,312</u>	<u>2,945,337</u>
TOTAL LIABILITIES	<u><u>1,951,153</u></u>	<u><u>1,331,181</u></u>	<u><u>3,282,334</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	1,278,546	2,269,246	3,547,792
Restricted for debt service	150,539	196,009	346,548
Unrestricted (deficit)	<u>(14,497)</u>	<u>69,520</u>	<u>55,023</u>
TOTAL NET ASSETS	<u><u>\$ 1,414,588</u></u>	<u><u>\$ 2,534,775</u></u>	<u><u>\$ 3,949,363</u></u>

See accompanying notes to the financial statements.

TOWN OF FERRIDAY, LOUISIANA
Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005

	<u>Statement H</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Utility sales	\$ 423,144	\$ 283,019	\$ 706,163
Penalties for late payment	547	-	547
Tap fees	14,026	-	14,026
Other income	<u>8,020</u>	<u>6,238</u>	<u>14,258</u>
Total operating revenues	<u>445,737</u>	<u>289,257</u>	<u>734,994</u>
Operating Expenses			
Salaries	117,858	30,703	148,561
Payroll taxes	9,767	2,530	12,297
Utilities	65,850	80,341	146,191
Chemicals and supplies	109,040	15,781	124,821
Repairs and maintenance	2,916	3,472	6,388
Consultant fees	2,000	-	2,000
Telephone	4,369	1,298	5,667
Truck and fuel	6,128	4,378	10,506
Office expense and postage	4,339	20	4,359
Bad debts	8,713	5,446	14,159
Depreciation	147,646	208,172	355,818
Other operating expense	<u>7,940</u>	<u>11,956</u>	<u>19,896</u>
Total operating expenses	<u>486,566</u>	<u>364,097</u>	<u>850,663</u>
Net income from operations	<u>(40,829)</u>	<u>(74,840)</u>	<u>(115,669)</u>
Non operating Revenues and (Expenses)			
Interest income	787	1,658	2,445
State grant funds	4,800	-	4,800
Interest expense	<u>(101,737)</u>	<u>(66,938)</u>	<u>(168,675)</u>
Total nonoperating revenues and expenses	<u>(96,150)</u>	<u>(65,280)</u>	<u>(161,430)</u>
(Loss) before transfers	(136,979)	(140,120)	(277,099)
Transfers in	<u>222,353</u>	<u>58,280</u>	<u>280,633</u>
Change in Net Assets (loss)	85,374	(81,840)	3,534
Total Net Assets - July 1, 2004	<u>1,329,214</u>	<u>2,616,615</u>	<u>3,945,829</u>
Total Net Assets - June 30, 2005	<u>\$ 1,414,588</u>	<u>\$ 2,534,775</u>	<u>\$ 3,949,363</u>

See accompanying notes to the financial statements.

TOWN OF FERRIDAY, LOUISIANA
Utility Enterprise Fund
Statement Cash Flows
For the Year Ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Statement I</u> <u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 488,967	\$ 291,291	\$ 780,258
Cash paid to suppliers and employees	<u>(425,662)</u>	<u>(211,381)</u>	<u>(637,043)</u>
Net cash provided by operating activities	<u>63,305</u>	<u>79,910</u>	<u>143,215</u>
Cash flows from noncapital financial activities			
Increase in customer deposits	17,077	-	17,077
Transfers from other funds	<u>222,354</u>	<u>58,280</u>	<u>280,634</u>
Net cash provided by noncapital financial activities	<u>239,431</u>	<u>58,280</u>	<u>297,711</u>
Cash flows from capital and related financing activities			
Principal paid on notes payable	(134,354)	(38,548)	(172,902)
Interest paid on notes payable	(106,619)	(66,644)	(173,263)
State grant	4,800	-	4,800
Interest income	<u>871</u>	<u>1,658</u>	<u>2,529</u>
Total cash used for financing activities	<u>(235,302)</u>	<u>(103,534)</u>	<u>(338,836)</u>
Cash flows from investing activities			
Purchase of fixed assets	<u>(17,396)</u>	<u>-</u>	<u>(17,396)</u>
Net increase in cash	50,038	34,656	84,694
Cash at beginning of year	<u>126,989</u>	<u>187,139</u>	<u>314,128</u>
Cash at end of year	<u>177,027</u>	<u>221,795</u>	<u>398,822</u>
Reconciliation of operating income to net cash provided by			
Operating income	(40,829)	(74,840)	(115,669)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	147,646	208,172	355,818
Changes in assets and liabilities:			
Decrease in accounts receivable	43,230	2,034	45,264
(Decrease) in accounts payable	(85,429)	(55,134)	(140,563)
Decrease in taxes payable	<u>(1,313)</u>	<u>(322)</u>	<u>(1,635)</u>
Net cash provided by operating activities	<u>\$ 63,305</u>	<u>\$ 79,910</u>	<u>\$ 143,215</u>

See accompanying notes to the financial statements.

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

INTRODUCTION

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

1. The Town of Ferriday, Louisiana was incorporated under provisions of the Lawrason Act as a Town in 1923.
2. The purpose of a municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.
3. The Board of Aldermen consists of five elected members that are paid \$200 per month.
4. The Town of Ferriday is located in the northeastern portion of Concordia Parish, Louisiana. Concordia Parish is located in northeastern Louisiana.
5. The population of Ferriday is 3,721.
6. The Town of Ferriday has approximately 44 employees.
7. The Town of Ferriday has approximately 1,500 utility customers.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program 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 meetings 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.

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

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

The Debt Service Fund accounts for transactions relating to resources retained and used for the payment of principal and interest on long term obligations including the General Obligations Bonds and Sales Tax Bonds.

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

The municipality reports the following major proprietary funds:

Utility Enterprise Fund – used to account for operations where the intent of the governing body is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town of Ferriday uses this fund to account for operations of the municipal water and sewer systems.

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

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 and other charges between the government 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 the sales of water and sewer services to both residential and commercial customers. 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 municipality's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits

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

D. Receivables and Revenues

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

Property taxes attach as an enforceable lien as of January 1 of each year. Taxes are levied in December and payable by March 31 of the following year. The following is a summary of authorized and levied ad valorem taxes:

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

General fund	4.69 mills
Bond sinking fund	12.00 mills
Public safety bond fund	9.42 mills

The following are the principal taxpayers and related property tax revenue for the municipality:

Bell South	\$15,748
Concordia Bank	\$40,594

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

1. Payment of sales tax bonds;
2. Payment of general operating expenses of the town;
3. Payment of all or part of capital improvements;
4. Maintenance or operation of capital improvements; and
5. Any one or all of the aforementioned purposes.

E. Restricted Assets

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

Debt service fund	\$ 302,682
Utility enterprise fund	<u>360,420</u>
	<u>\$ 663,102</u>

F. Capital Assets

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

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

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

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

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

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

G. Compensated Absences

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

Annual Leave – Each full-time and part-time permanent municipal employee shall earn annual leave at the rate of 5 (five) days per year or 1.54 hours for each pay period 40 hours worked. After 3 (three) year employment with the municipality, each full-time and part-time permanent municipal employee shall earn annual leave at the rate of 10 (ten) days or 80 hours per year. Employees may accumulate a maximum of 10 days or 80 hours annual leave. The Board is authorized to pay as terminal pay all unused annual leave time.

Sick Leave – Each employee shall earn sick leave at the rate of 1.5 hours per pay period worked or 5 (five) days per year. Employees who resign or retire or who are dismissed from employment shall not be paid for any accrued sick leave.

The municipality has included annual leave by employees as accrue compensated absences.

H. Long-Term Obligations

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

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Estimates

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

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

K. Encumbrances

The Town of Ferriday does not use encumbrance accounting.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION – The municipality uses the following budget practices:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The Town approves a budget for the general fund, debt service funds and capital projects funds.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer to funds from one department, program or function to another or involving increases 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 are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. There were no amendments to the budget during the year ended June 30, 2005.

3. CASH AND CASH EQUIVALENTS

At June 30, 2005, the municipality has cash and cash equivalents (book balances) totaling \$1,197,079.

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.

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

At June 30, 2005, the municipality had \$1,282,263 in deposits (collected bank balances). These deposits are secured from risk by \$329,859 of federal deposit insurance and \$952,404 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

4. RECEIVABLES

The receivables of \$176,568 at June 30, 2005 are as follows:

General Fund:			
Garbage billings	\$ 36,849		
Less allowance for doubtful accounts	<u>(6,500)</u>	\$ 30,349	
Rehabilitation loans		14,083	
Fines		<u>30,989</u>	
Total general fund			<u>75,421</u>
Utility Enterprise Fund:			
Water billings	\$ 69,932		
Less allowance for doubtful accounts	<u>(20,900)</u>	49,032	
Sewer billings	59,715		
Less allowance for doubtful accounts	<u>(7,600)</u>	<u>52,115</u>	
Total utility enterprise fund			<u>101,147</u>
Total			<u>\$ 176,568</u>

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2005 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable Assets				
Land	\$ 173,954	\$ -	\$ -	\$ 173,954
Depreciable Assets				
Buildings	1,229,005	236,778	-	1,465,783
Vehicles	659,586	123,721	-	783,307
Machinery and Equipment	551,626	2,650	-	554,276
Streets (Note 10)	<u>370,247</u>	<u>36,954</u>	-	<u>407,201</u>
Totals at Historical Cost	<u>2,984,418</u>	<u>400,103</u>	-	<u>3,384,521</u>

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less Accumulated Depreciation				
Buildings	\$ 572,925	\$ 31,221	\$ -	\$ 604,146
Vehicles	353,972	47,774	-	401,746
Machinery and Equipment	524,240	6,079	-	530,319
Streets (Note 13)	<u>-</u>	<u>18,663</u>	<u>-</u>	<u>18,663</u>
Total Accumulated Depreciation	<u>1,451,137</u>	<u>103,737</u>	<u>-</u>	<u>1,554,874</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 1,533,281</u>	 <u>\$ 296,366</u>	 <u>\$ -</u>	 <u>\$ 1,829,647</u>
 Business Type Activities Depreciable Assets				
Water systems lines and equipment	\$ 5,819,471	\$ 17,396	\$ -	\$ 5,836,867
Sewer system lines and equipment	<u>6,358,340</u>	<u>-</u>	<u>-</u>	<u>6,358,340</u>
Totals at Historical Cost	<u>12,177,811</u>	<u>17,396</u>	<u>-</u>	<u>12,195,207</u>
 Less Accumulated Depreciation				
Water systems lines and equipment	2,549,539	147,646	-	2,697,185
Sewer system lines and equipment	<u>2,558,122</u>	<u>208,172</u>	<u>-</u>	<u>2,766,294</u>
Total Accumulated Depreciation	<u>5,107,661</u>	<u>355,818</u>	<u>-</u>	<u>5,463,479</u>
 Business Type Activities Capital Assets, Net	 <u>\$ 7,070,150</u>	 <u>\$ (338,422)</u>	 <u>\$ -</u>	 <u>\$ 6,731,728</u>

Depreciation Expense was charged to governmental functions as follows:

General	\$ 36,977
Police	18,185
Fire	18,455
Streets	<u>30,120</u>
 Total	 <u>\$ 103,737</u>

6. ACCOUNTS, SALARIES AND OTHER PAYABLES

Accounts payable of \$290,545 as of June 30, 2005 was made up of amounts due by each individual fund to vendors and contractors for goods and services rendered.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers consist of operating transfers between the general fund and the utility proprietary fund.

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

8. LEASES

The municipality records items under capital leases as a depreciable asset and an obligation in the accompanying financial statements. An analysis of the capital leases held by the Town is included in the analysis of long-term obligations below.

9. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligations transactions of the Town of Ferriday (general fund) for the year ended June 30, 2005.

	Sales Tax <u>Bonds</u>	General Obligation <u>Bonds</u>	Capital <u>Leases</u>	<u>Total</u>
Bonds payable at June 30, 2004	\$ 745,000	\$ 1,210,000	\$ 234,365	\$ 2,189,365
Bonds issued	-	-	-	-
Bonds retired	<u>90,000</u>	<u>75,000</u>	<u>24,174</u>	<u>189,174</u>
Bonds payable at June 30, 2005	<u>\$ 655,000</u>	<u>\$ 1,135,000</u>	<u>\$ 210,191</u>	<u>\$ 2,000,191</u>

Bonds payable at June 30, 2005 are comprised of the following:

Sales Tax Bonds - \$1,300,000 in Public Improvement Bonds due in annual installments of \$85,000 to \$125,000 through February 1, 2011, bearing interest at a rate of 4.8% to 5%	\$ 655,000
General Obligations Bonds - \$1,280,000 in General Obligations Bonds due in annual installments of \$70,000 to \$130,000 through March 1, 2016 bearing interest at a rate of 4.5%	1,135,000
Capital Lease - \$147,700 capital lease due in annual installments of \$18,933 through August 8, 2013	135,841
Capital Lease - \$129,000 capital lease due in annual installments of \$17,819 through May 22, 2010	<u>74,350</u>
Total	<u>\$ 2,000,191</u>

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

The annual requirements to amortize the sales tax bonds, the general obligations bonds and the capital lease outstanding as of June 30, 2005 are as follows:

<u>Year Ended</u>	<u>Sales Tax</u>	<u>General Obligation</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 95,000	\$ 80,000	\$ 25,524	\$ 86,848	\$ 287,372
2007	100,000	85,000	26,951	76,670	288,621
2008	105,000	90,000	28,459	65,913	289,372
2009	110,000	95,000	30,053	55,469	290,522
2010	120,000	100,000	31,739	39,338	291,077
Thereafter	<u>125,000</u>	<u>685,000</u>	<u>67,465</u>	<u>112,084</u>	<u>989,549</u>
	<u>\$ 655,000</u>	<u>\$ 1,135,000</u>	<u>\$ 210,191</u>	<u>\$ 436,322</u>	<u>\$ 2,436,513</u>

Bond Indenture Restrictions – Sales Tax Bonds

1. The Town shall maintain a reserve fund with a balance of \$130,000. The balance in the fund was \$133,341 at June 30, 2005 and the Town was in compliance with the reserve fund requirements.
2. The Town shall deposit into a sinking fund the amount of \$10,541 per month. The Town was in compliance with this covenant.

The following is a summary of the long-term obligations transactions of the Town of Ferriday (proprietary fund) for the year ended June 20, 2005:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Bonds payable at June 30, 2004	\$ 1,990,566	\$ 1,361,348	\$ 3,351,914
Bonds retired	<u>(129,430)</u>	<u>(38,548)</u>	<u>(167,978)</u>
Bonds payable at June 30, 2005	1,861,136	1,322,800	3,183,936
Less current portion	<u>(198,111)</u>	<u>(40,488)</u>	<u>(238,599)</u>
Long-term portion	<u>\$ 1,663,025</u>	<u>\$ 1,282,312</u>	<u>\$ 2,945,337</u>

Bonds payable at June 30, 2005 are comprised of the following:

Water Revenue Bonds - \$3,200,000 in revenue bonds due in annual installments of \$67,184 through October 29, 2014, bearing interest at a rate of 5.75%	\$ 466,097
Water Revenue Bonds - \$1,503,000 in revenue bonds due in monthly installments totaling \$163,524 annually through June 14, 2033 bearing interest at a rate of 5.5%	1,250,039

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

Water note payable - \$150,000 note payable to local bank, 4.75% interest, due \$5,000 per month plus interest, maturing November 30, 2007. Proceeds used to pay accounts payable. \$ 145,000

Sewer Revenue Bonds - \$1,800,000 in revenue bonds due in monthly installments totaling \$105,192 annually through June 14, 2033, bearing interest at a rate of 5% 1,322,800

Total \$ 3,183,936

The annual requirements to amortize the water revenue bonds outstanding as of June 30, 2005 are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 198,111	\$ 98,285	\$ 296,396
2007	205,583	87,909	293,492
2008	178,826	77,185	256,011
2009	162,536	68,172	230,708
2010	171,389	59,319	230,708
Thereafter	<u>944,691</u>	<u>148,869</u>	<u>1,093,560</u>
	<u>\$ 1,861,136</u>	<u>\$ 539,739</u>	<u>\$ 2,400,875</u>

The annual requirements to amortize the sewer revenue bonds outstanding as of June 30, 2005 are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 40,489	\$ 64,703	\$ 105,192
2007	42,203	62,989	105,192
2008	44,356	60,836	105,192
2009	46,619	58,573	105,192
2010	48,529	56,663	105,192
Thereafter	<u>1,100,604</u>	<u>477,276</u>	<u>1,577,880</u>
	<u>\$ 1,322,800</u>	<u>\$ 781,040</u>	<u>\$ 2,103,840</u>

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

WATER FUND BONDS

1. The Town shall maintain a reserve fund into which monthly deposits of \$977 will be made. The reserve fund balance was \$73,150 at June 30, 2005. Deposits shall be made into the fund until a balance of \$239,489 has been accumulated into the fund. At June 30, 2005, the Town was in compliance with this covenant.

TOWN OF FERRIDAY, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

2. The Town shall maintain a depreciation fund into which monthly deposits of \$970 will be made. The depreciation fund balance was \$31,437 at June 30, 2005. Annual deposits of \$11,640 will be required for each of the next four years. At June 30, 2005, the Town was in compliance with this covenant.
3. The Town shall deposit into a sinking fund an amount sufficient to accumulate \$67,184 on October 29 of each year so that the installment of principal and interest can be made. The sinking fund balance was \$45,952 as of June 30, 2005. At June 30, 2005 the Town was in compliance with this covenant.

SEWER FUND BONDS

1. The Town shall maintain a reserve fund into which monthly payments of \$375 to \$439 shall be deposited until a balance of \$105,192 has been accumulated. The reserve fund balance was \$100,410 as of June 30, 2005. At December 31, 2005, the Town was in compliance with this covenant.
2. The Town shall maintain a depreciation and contingency fund into which monthly payments of \$414 shall be deposited. The contingency fund balance was \$95,599 as of June 30, 2005. At June 30, 2005, the Town was in compliance with this covenant.
3. The Town had a requirement to maintain a sinking fund in which \$8,766 monthly shall be deposited. The Town now pays the note on a monthly basis so no sinking fund is required.

10. RETIREMENT SYSTEMS

Employees of the Town of Ferriday are all members of the Federal social security system and are covered by no other retirement plan. The employer portion of the social security payroll tax is reflected in payroll taxes in the various statements of income.

11. RESERVED AND DESIGNATED RETAINED EARNINGS/FUND BALANCES

Net assets of the utility proprietary fund were restricted in the amount of \$346,548 to represent amounts set aside as required by debt service covenants. Net assets of the debt service fund were restricted in the amount of \$273,294 to represent amounts set aside as required by bond covenants.

12. CONTINGENT LIABILITIES

The Town of Ferriday is involved in a lawsuit filed by a water customer as a class-action lawsuit. The lawsuit is for undisclosed amounts of damages resulting from the failure of the Town to produce quality water from its water plant. The amount of potential damages cannot be determined at this time; accordingly, the Town has not made any provision for any losses that may result from this lawsuit.

13. PRIOR YEAR CORRECTION

Statement of net assets was corrected to include construction in progress in street resurfacing program as of June 30, 2004. The changes made to total net assets in governmental activities are as follows:

Total net assets as previously reported (deficit)	\$ (835,901)
Construction in progress-street resurfacing	<u>370,247</u>
Total net assets at June 30, 2004 as corrected	<u>\$ (465,654)</u>

SECTION III

ADDITIONAL REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information
TOWN OF FERRIDAY
Budgetary Comparison Schedule – General Fund
for the Year Ended June 30, 2005

	-----Budgeted Amounts-----		Actual Amounts (Budget Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>(Note B)</u>	<u>Positive (Negative)</u>
Revenues:				
Taxes	\$ 1,576,900	\$ 1,576,900	\$ 1,569,485	\$ (7,415)
Licenses and permits	112,200	112,200	105,896	(6,304)
Intergovernmental				
Federal grants	75,000	75,000	90,000	15,000
State funds	10,000	275,000	277,950	2,950
Charges for services	160,000	160,000	204,746	44,746
Fines	145,000	500,000	524,277	24,277
Miscellaneous	96,800	96,800	35,817	(60,983)
Interest	1,500	1,500	568	(932)
Total Revenues	<u>2,177,400</u>	<u>2,797,400</u>	<u>2,808,739</u>	<u>11,339</u>
Expenditures:				
General government	783,632	889,632	618,177	271,455
Public Safety				
Police	462,200	487,700	528,465	(40,765)
Fire	130,065	147,165	148,583	(1,418)
Fire capital lease	7,500	20,000	24,174	(4,174)
Streets	100,450	105,450	108,235	(2,785)
Sanitation	218,330	210,000	228,198	(18,198)
Capital outlays	55,000	145,000	363,149	(218,149)
Transfers to other funds	245,000	350,000	420,554	(70,554)
Total Expenditures	<u>2,002,177</u>	<u>2,354,947</u>	<u>2,439,535</u>	<u>(84,588)</u>
Net change in fund balance	175,223	442,453	369,204	(73,249)
Fund balance (deficit)				
June 30, 2004	<u>(129,938)</u>	<u>(129,938)</u>	<u>(129,938)</u>	<u>-</u>
Fund balance				
June 30, 2005	<u>\$ 45,285</u>	<u>\$ 312,515</u>	<u>\$ 239,266</u>	<u>\$ (73,249)</u>

TOWN OF FERRIDAY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2005

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

1. Basis of Presentation

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

2. Budget Amendments and Revisions

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

SECTION IV
OTHER SUPPLEMENTAL SCHEDULES

TOWN OF FERRIDAY, LOUISIANA
Schedule of Compensation Paid to Aldermen
For the Year Ended June 30, 2005

Mitch Ashmore	\$ 800
Johnnie Brown	400
Robin Charpentier	400
Allen Cupit	2,500
Sammy Davis, Jr.	2,600
Jerome Harris	3,000
Glen Henderson	400
Doroth Johnson	2,500
Bob Jones	1,400
Gloria Lloyd	<u>400</u>
	<u>\$ 14,400</u>

SECTION V
OTHER REPORTS

SWITZER, HOPKINS & MANGE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Gene T. Allen, Mayor
and Members of the Board of Aldermen
Town of Ferriday, Louisiana

We have audited the basic financial statements of Town of Ferriday, Louisiana as of and for the year ended June 30, 2005, and have issued our report thereon dated January 19, 2006. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This finding is included in the schedule of findings and questioned costs as finding 2005-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Honorable Gene T. Allen, Mayor
Town of Ferriday
Page Two

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs are items 2005-2 and 2005-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

This report is intended for the information and use of management of the district and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana
January 19, 2006

Switzer, Hopkins & Marge

TOWN OF FERRIDAY, LOUISIANA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Summary of Audit Results

1. Auditors' Report

An unqualified opinion has been issued on the Town of Ferriday, Louisiana's financial statements as of and for the year ended June 30, 2005.

2. Reportable Conditions – Compliance

There was one reportable condition of noncompliance with laws and regulations. This condition is reported as 2005-1.

3. Reportable Conditions – Internal Control Over Financial Reporting

Two reportable conditions in internal control over financial reporting were reported. These conditions are reported as 2005-2, and 2005-3.

Findings – Financial Statement Audit

Reportable Conditions

2005-1 Late Filing of Audit Report

Louisiana Revised Statute 24:513 requires that this audit be completed by December 31, 2005. It was mailed to the Legislative Auditor on February 3, 2006. This is a law violation.

We recommend that the audits be completed each year by December 31.

Management response:

Management states that its Town Clerk did have a stroke in December and this hindered completion of the audit report. Management position is that completion of the audit report had to be done by the auditor, not by the Town.

2005-2 Meter Deposits Subsidiary Ledger

As noted in finding 2003-4 and 2004-2, the Town of Ferriday has not loaded all of its customers into the computerized system for the subsidiary ledger of customer meter deposits. At the present time some customers deposits are loaded on the computerized system and some are kept in a hand prepared system. The dual system makes control over the meter deposits more difficult because all of the records are not kept in the same place.

We recommend that all of the customer deposits be loaded into the computerized system as soon as possible.

Management response:

Management indicates that it will correct this problem this year.

TOWN OF FERRIDAY, LOUISIANA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

2005-3 Utility Billings

We noted that in a sample of 61 water customers that we audited for compliance with utility rates, 58 received minimum bills and, in our opinion, most of the consumptions of water were unreasonably low. These 58 customers used an average of 237 gallons of water per month in the month sampled. This is an average of eight gallons per day per house and we do not believe water consumption is that low.

We recommend that the Town review its method of reading and recording water consumption of its utility customers.

Management response:

Management states that it is continuing to update its water billing system and will work to correct any problems.

TOWN OF FERRIDAY, LOUISIANA
Status of Prior Audit Findings
Year Ended June 30, 2004

Reportable Conditions

2004-1 Presigned Checks

It was observed that there were blank checks signed in advance by the Mayor for use when he was not in the office. The checks were not countersigned in advance.

Disposition

This finding has been corrected.

2004-2 Meter Deposits Subsidiary Ledger

As noted in finding 2003-4, the Town of Ferriday still has not loaded all of its customers into the computerized system for the subsidiary ledger of customers meter deposits. The customers not yet loaded are kept on a hand kept subsidiary ledger. This leads to the possibility of a customer not being given credit for his deposit and makes control over those amounts more difficult because records are kept in three different places.

Disposition

This finding is reported again in the current audit as finding 2005-2.

2004-3 Internal Controls Over Contract Account

Due to shortages reported, adequate internal control was not maintained over a bank account used to deposit the funds collected as an agent of another utility company. If sufficient control had been exercised over the collected funds, shortages in those funds probably would not have occurred.

If this type of arrangement is ever done in the future, it is recommended that procedures be implemented to maintain control over such funds.

Disposition

The Town of Ferriday no longer makes collections for the utility company. This finding no longer applies.

Compliance Findings

2004-4 Bond Covenants

I noted that the Town of Ferriday was underfunded in all of its Water Bond Funds (Depreciation, Reserve and Sinking) and Sewer Bond Funds (Contingency and Reserve) for the fiscal year ended June 30, 2004 by the amount of the deposits that should have been made in June, but were not. There was also withdrawals from the Water Bond Sinking Fund during June 2004 in the amount of \$45,627 which was transferred to other funds and used to pay accounts payables.

TOWN OF FERRIDAY, LOUISIANA
Status of Prior Audit Findings
Year Ended June 30, 2004

Disposition

This finding has been corrected.

2004-5 Budget

The Town of Ferriday exceeded its budgeted expenditures by 6.8%. State law requires that actual revenues and expenditures vary by less than 5% from budgeted amounts.

Disposition

This finding has been corrected.

2004-6 Late Submission of the Audit Report

The audited financial statements were not submitted to the Legislative Audit until February 2005.

Disposition

This finding is reported again in the current audit as finding 2005-1.

SECTION VI
REPORTS REQUIRED BY THE SINGLE AUDIT ACT

SWITZER, HOPKINS & MANGE

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Gene T. Allen, Mayor
And Members of the Board of Aldermen
Town of Ferriday
Ferriday, Louisiana

Compliance

We have audited the compliance of the Town of Ferriday, Louisiana with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Town of Ferriday's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Ferriday's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform that audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

The Honorable Gene T. Allen, Mayor
Town of Ferriday
Page Two

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Town as of and for the year ended June 30, 2005 and have issued our report thereon dated January 19, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, others within the organization, Mayor and Aldermen of the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be sued by anyone other than these specified parties.

Ferriday, Louisiana
January 19, 2006

Switzer, Hopkins & Mangel

TOWN OF FERRIDAY, LOUISIANA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Ferriday.
2. Three reportable conditions disclosed during the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of the Town of Ferriday were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal award programs were reported.
5. The auditors' report on compliance for the major federal award programs for the Town of Ferriday expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Town of Ferriday are reported in this Schedule.
7. The programs tested as major programs included:

Department of Housing and Urban Development, Community
Development Block Grant, CFDA 14.228
8. The threshold for distinguishing between Types A and B programs was \$500,000.
9. The Town of Ferriday was determined to be a low-risk auditee.

TOWN OF FERRIDAY, LOUISIANA
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Program Amount	<u>Expenditures</u>
<u>United States Department of Housing and Urban Development</u>			
Community Development Block Grant - Water System Improvements (LCDBG 588608)	14.228	\$ 497,097	\$ 497,097
 USDA			
Community Facilities Grant	10.766	90,000	<u>90,000</u>
			<u>\$ 587,097</u>

TOWN OF FERRIDAY, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
As of and For the Year Ended June 30, 2005

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Ferriday and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.