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Town of Franklinton
Parish of Washington
Franklinton, Louisiana

Financial Report

October 31, 2003

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 5-5-04

Town of Franklinton

Annual Financial Statements
As of and for the Year Ended October 31, 2003
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Earle R. Brown
and Board of Aldermen
Town of Franklinton, Louisiana

We 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, Louisiana, as of and for the year ended October 31, 2003, 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 of Franklinton, Louisiana's, management. Our responsibility is to express an opinion on these basic 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklinton, Louisiana, as of October 31, 2003, and the respective changes in financial position and the 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 February 5, 2004 on our consideration of the Town of Franklinton Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor, Earle Brown
Town of Franklinton
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Managements's Discussion and Analysis on pages 8 - 16 and the required supplemental information, other than Management's Discussion and Analysis, on pages 50 - 55 are not a required part of these basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Franklinton, Louisiana. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

February 5, 2004

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

Town of Franklinton, Louisiana

Management's Discussion and Analysis

Introduction

The Town of Franklinton, Louisiana (the Town) is pleased to present its Annual Financial Report 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), and related standards. This is the second year of presentation under the new GASB 34 format.

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 notes to the financial statements on pages 31 through 48 of this report.

Town Highlights

- At October 31, 2003, the Town's assets exceeded its liabilities by \$7,136,951 (net assets). Of this amount, \$3,152,957 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens.
- At fiscal year-end, the total of net assets Invested in Capital, Net of Related Debt (after deducting debt owed on capital assets) increased to \$3,471,869.
- For business-type activities (consisting of the Town's Utility Fund) the Town's debt due to revenue bonds decreased by \$112,836.
- The most significant continuing revenue sources for governmental activities of the Town consisted of \$1,543,878 in sales tax revenues, \$288,474 in property taxes, \$209,259 in public utility franchise taxes, and \$256,578 for business licenses and permits. Charges for business-type activities of the utility fund were \$912,203 in gas charges, \$337,768 in water charges and \$356,580 in sewer charges.

Overview of the Financial Statements

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.

Town of Franklinton, Louisiana

Management's Discussion and Analysis

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 and business-type activities 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 Assets 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 assets. Over time, the increases or decreases in net assets and changes in the components of 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, 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, highways and streets. These activities are financed primarily by property taxes, franchise taxes, sales taxes, 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 gas, water and sewer utility systems are reported in this section.

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 governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide financial statements can be found on pages 17 through 19.

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 of Franklinton uses two categories of funds to account for financial transactions: governmental funds and proprietary funds.

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

Town of Franklinton, Louisiana

Management's Discussion and Analysis

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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The basic governmental fund financial statements can be found on pages 20 through 24 of this report.

The Proprietary fund accounts for gas, water and sewer services provided by the Town of Franklinton to its customers. Proprietary funds statements provide the same type of information as the government-wide statements, but the fund presentation provides more detail. The proprietary fund financial statements can be found on pages 25 to 30 of this report.

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. The reconciliations can be found on pages 21 and 24 of this report.

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. The notes to the financial statements can be found on pages 31 through 48 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets 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 assets for the current year as compared to the prior year. For more detailed information, see the Statement of Net Assets on page 17 of this report.

**Condensed Statement of Net Assets
October 31, 2003 and October 31, 2002**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and Other Assets	\$ 3,590,980	\$ 4,392,133	\$ 2,140,993	\$ 2,304,775	\$ 5,731,973	\$ 6,696,908
Capital Assets	3,368,736	2,185,239	3,890,659	4,221,310	7,259,395	6,406,549
Total Assets	\$ 6,959,716	\$ 6,577,372	\$ 6,031,652	\$ 6,526,085	\$ 12,991,368	\$ 13,103,457
Long-Term Debt Outstanding	\$ 3,520,000	\$ 3,542,022	\$ 1,706,079	\$ 1,752,080	\$ 5,226,079	\$ 5,294,102
Other Liabilities	410,321	699,899	218,017	294,853	628,338	994,752
Total Liabilities	\$ 3,930,321	\$ 4,241,921	\$ 1,924,096	\$ 2,046,933	\$ 5,854,417	\$ 6,288,854
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 1,283,989	\$ 932,548	\$ 2,187,880	\$ 2,394,724	\$ 3,471,869	\$ 3,327,272
Restricted Net Assets	444,869	590,626	67,256	195,610	512,125	786,236
Unrestricted	1,300,537	812,277	1,852,420	1,888,818	3,152,957	2,701,095
Total Net Assets	\$ 3,029,395	\$ 2,335,451	\$ 4,107,556	\$ 4,479,152	\$ 7,136,951	\$ 6,814,603

Town of Franklinton, Louisiana

Management's Discussion and Analysis

Government-Wide Review of Condensed Statement of Net Assets

Approximately 49% of the Town's net assets reflects its investment in capital assets (land, buildings, equipment, infrastructure, and improvements) net of any outstanding related debt used to acquire those capital 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 7% of the Town's net assets represents resources that are subject to external restriction on how they may be used. The Town's restricted net assets consist of cash reserves required by revenue bond agreements and cash for customer deposits net of corresponding liabilities.

Approximately 44% of the Town's net assets are 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 assets, for the government as a whole, as well as for separate governmental and business-type activities.

The Town's activities increased its total net assets by \$322,348. Governmental activities increased by \$693,944. Business type activities decreased by \$371,596.

Significant changes within the Statement of Activities were as follows:

Restricted cash decreased by \$1,635,692 due to the use of proceeds from the sales tax bond issue to construct the police station, the streets and drainage project, to purchase equipment, and for preliminary construction costs for the fire station.

Construction in progress decreased by \$1,070,601 as the police station was constructed, and streets and drainage projects were completed. Capital assets increased by \$1,905,952 as a result of completed construction and as equipment was purchased, primarily from the sales tax bond proceeds.

Overall liabilities decreased by \$434,437, with the primary contributing factor being the payment of liabilities related to construction, including \$337,975 in construction payables, and retainage payable of \$58,644.

In order to further understand what makes up the changes in net assets, the following table 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. For more detailed information, see the Statement of Activities on pages 18 and 19 of this report.

Town of Franklinton, Louisiana

Management's Discussion and Analysis

**Condensed Statement of Changes in Net Assets
For the Years Ended June 30, 2003 and 2002**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Program Revenues:						
Charges for Services	\$ 430,669	\$ 417,676	\$ 1,606,551	\$ 1,478,048	\$ 2,037,220	\$ 1,895,724
Capital Grants and Contributions	35,456	1,871	-	-	35,456	1,871
General Revenues:						
Taxes	2,041,611	1,920,455	-	-	2,041,611	1,920,455
Intergovernmental	658,152	463,802	-	-	658,152	463,802
Unrealized Gain (Loss)	(989)	1,508	(25,077)	8,252	(26,066)	9,760
Interest Income	38,292	46,823	59,278	61,565	97,570	108,388
Other Revenues	36,776	13,761	-	-	36,776	13,761
Legal Settlement	90,884	-	-	87,408	90,884	87,408
Sale of Fixed Assets	-	6,605	-	-	-	6,605
Lease Revenues	16,505	38,183	-	-	16,505	38,183
Operating Transfer In	152,986	13,972	-	-	152,986	13,972
Total Revenues	3,500,342	2,924,656	1,640,752	1,635,273	5,141,094	4,559,929
Program Expenses:						
General and Administrative	612,035	612,749	-	-	612,035	612,749
Public Safety	1,014,827	819,870	-	-	1,014,827	819,870
Highways and Streets	457,744	396,332	-	-	457,744	396,332
Sanitation	110,829	123,999	-	-	110,829	123,999
Health and Welfare	396,223	279,902	-	-	396,223	279,902
Transportation	3,740	1,484	-	-	3,740	1,484
Building Repairs	52,424	35,110	-	-	52,424	35,110
Equipment Repairs	59,423	45,287	-	-	59,423	45,287
Economic Development	11,719	75	-	-	11,719	75
Amortization	716	-	-	-	716	-
Capital Lease Interest	3,118	2,188	-	-	3,118	2,188
Bond Interest Expense	83,600	-	-	-	83,600	-
Gas	-	-	856,682	725,760	856,682	725,760
Water	-	-	382,544	395,738	382,544	395,738
Sewer	-	-	620,136	481,047	620,136	481,047
Operating Transfer Out	-	-	152,986	13,972	152,986	13,972
Total Expenses	2,806,398	2,316,996	2,012,348	1,616,517	4,818,746	3,933,513
Income Before Capital Contributions	693,944	607,660	(371,596)	18,756	322,348	626,416
Capital Contributions	-	-	-	1,871	-	1,871
Change in Net Assets	\$ 693,944	\$ 607,660	\$ (371,596)	\$ 20,627	\$ 322,348	\$ 628,287

Governmental Activities

The increase in the Town's governmental activities revenues of \$575,686 is due primarily to a legal settlement of \$90,884, an increase of \$47,095 in sales taxes, an increase in operating transfers from the Town's utility fund of \$139,014, an increase in Police Jury Rebate of \$77,760 and an increase in the Council on Aging grant of \$135,302.

The increase in the Town's Health and Welfare expenses of \$116,321 is due primarily to an increase in the Council on Aging grant expenses of \$135,302, less decreases in other health and welfare expenditures. Since this program involves a pass-through of funds to the local council on aging, there is a corresponding increase in revenues equal to the increase in expenditures.

Public Safety expenses increased by \$194,957. Most notable in this increase was a \$76,133 increase in police department expenses (including an increase of \$33,479 in health insurance cost for the police department), an overall increase of \$11,213 increase in expenses for the fire department, and an increase of \$48,776 in depreciation expense for the police and fire departments as new capital assets were purchased. Bond interest expense also increased by \$83,600 as installment payments, funded by sales tax revenues, became due on the Series 2002 Certificates of Indebtedness of \$3,520,000.

Town of Franklinton, Louisiana

Management's Discussion and Analysis

Business-Type Activities

Operating revenues for the Town's business-type activities increased by \$128,503 with gas revenues increasing by \$128,533, water revenues increasing by \$5,590 and sewer revenues decreasing by \$5,620.

The increase in the business-type activities expenses of \$395,831 is due to an increase in operating transfers due primarily to the General fund of \$139,014, an increase in insurance expense of \$129,687, and an increase in gas purchase cost of \$94,294.

Fund Financial Analysis

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. The basic governmental fund financial statements can be found on pages 20 through 24 of this report.

The General Fund is the chief operating fund of the Town. At the end of the current year, the total unreserved fund balance for the General Fund was \$525,049. This represents an increase of \$50,599 or 11% of the prior year's ending balance. As a measure of the General fund's liquidity, it may be useful to compare the unreserved fund balance and total General fund expenditures. The unreserved fund balance represents 22% of total General fund expenditures.

The Sales Tax Construction Fund had a reserved fund balance of \$1,253,612.

Significant changes in the governmental funds Balance Sheet (Statement "C") consist of a decrease in cash primarily within the Sales Tax Construction Fund, as noted above in the Government-Wide financial analysis for governmental activities, to purchase equipment, complete construction for the police station, street and drainage improvements, and incurring preliminary construction costs for the fire station and for the LCDBG 2002 project.

For the governmental funds, operating revenues increased by \$464,955 with the most significant changes consisting of an increase in sales tax revenues of \$47,095 for the General Fund and sales tax revenue funds, for the General Fund an increase of \$135,302 in intergovernmental revenues passed through to the local council on aging and \$77,760 in police jury rebates, and a legal settlement of \$90,884 on the Jones Creek project. Within "Other Financing Sources (Uses)", there was an overall increase of \$146,426 in operating transfers in to the General Fund. Operating transfers were also recorded in each of the sales tax revenue funds to the Debt Service Fund for bond payments and to the sales tax equipment fund from the sales tax construction fund for purchase of equipment.

Changes in expenditures for governmental activities are similar to the government-wide financial analysis on pages 18 and 19, with the exception that capital expenditures and principal payments on debt are recorded on the government-wide Statement of Net Assets (Schedule A).

Town of Franklinton, Louisiana

Management's Discussion and Analysis

Proprietary Fund

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

Required Supplementary Information

In addition to this MD&A and the basic financial statements, this report also presents certain Required Supplementary information. For the Town of Franklinton, this Required Supplementary Information includes the Budgetary Comparison Schedule for the General Fund which can be found beginning on page 50. The presentation under the GASB 34 standard requires disclosure of both the original and the final budget. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

General Fund Budgetary Highlights

The Town demonstrated legal compliance by amending its budget in accordance with provisions of the Local Government Budget Act. Actual revenues and other sources were within 5% of budgeted revenues and other sources, and actual expenditures did not exceed budgeted expenditures and other uses by 5%.

The Town of Franklinton amended the original budget for the General Fund for an increase in revenues as follows:

- The original budget for Tax revenues was amended by \$74,000 to reflect primarily a projected increase in sales tax and franchise tax receipts. Actual receipts for sales tax exceeded the amended budget by \$26,912, and franchise taxes exceeded the amended budget by \$19,259.
- The original budget for Intergovernmental Revenues was amended by \$37,000 for an anticipated police jury rebate. Because of timing for recording the police jury rebate, the actual amount received exceeded the final budget by \$85,249.
- The Town also received an unanticipated revenue of \$90,884 (above the amended budget) at fiscal year-end for settlement of a long-standing suit on the Jones Creek project.
- The Town amended the original budget for General Government expenditures to reflect a projected increase of \$61,400 with the increases in various line-item expenditure categories. Overall expenditures in the category exceeded the amended budget by \$19,548.
- The Town amended the original budget for Police expenditures to reflect a projected increase of \$37,500 with the increases in various line-item expenditure categories. Overall expenditures in the category exceeded the amended budget by \$43,562.
- The category of Capital Outlays was also increased from the original budget by \$75,100 for anticipated capital outlays, although actual capital outlays exceed the budget by \$43,970.

As noted, although there were variances within subcategories as noted above, for the General Fund the Town complied with statutory requirements for amendment of the General Fund budget.

Town of Franklinton, Louisiana

Management's Discussion and Analysis

Capital Assets and Long-Term Debt

Capital Assets

The Town of Franklinton elected early implementation of GASB 34 in the fiscal year ending October 31, 2002. However, as a Phase III government (a government with annual revenues of less than 10 million), the Town elected not to retroactively report infrastructure assets prior to implementation. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended October 31, 2002, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

The Town's investment in capital assets for its governmental and business-type activities as of October 31, 2003 amounts to \$7,484,939 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was \$1,078,390 (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. For more detailed information, see Note 8 to the financial statements on pages 40 and 41 of this report.

**Capital Assets (Net of Depreciation)
October 31, 2003 and 2002**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 490,715	\$ 247,676	\$ 3,300	\$ 3,300	\$ 494,015	\$ 250,976
Buildings & Building Improvements	2,451,991	643,383	-	-	2,451,991	643,383
Office Furniture and Equipment	6,679	5,790	-	-	6,679	5,790
Machinery and Equipment	825,583	579,203	-	-	825,583	579,203
Vehicles	901,279	571,538	-	-	901,279	571,538
Utility Plant, in Service	-	-	8,900,133	8,890,052	8,900,133	8,890,052
Construction in Progress	150,594	1,221,195	-	-	150,594	1,221,195
Subtotal	4,826,841	3,268,785	8,903,433	8,893,352	13,730,274	12,162,137
Less: Accumulated Depreciation	1,235,861	1,083,546	5,009,474	4,672,042	6,245,335	5,755,588
Net Capital Assets	<u>\$ 3,590,980</u>	<u>\$ 2,185,239</u>	<u>\$ 3,893,959</u>	<u>\$ 4,221,310</u>	<u>\$ 7,484,939</u>	<u>\$ 6,406,549</u>

Significant capital additions for the fiscal year ending October 31, 2003, consisted of the following:

- Land increased by \$243,039 with the addition of the parking lot (Brumfield Trust) at \$50,300, the Rutter Rex land at \$167,172, and the Barber Texaco property at \$25,567.
- Buildings and Building Improvements increased by \$1,808,608 with the completion of the streets and drainage projects. The completed costs of the street project was \$1,557,889, and \$233,119 for the drainage project, with \$603,470 of the construction costs incurred in the fiscal year ending October 31, 2003.
- Machinery and Equipment increased by \$246,380 and Vehicles increased by 329,741 totaling \$576,121. Of this total, the major additions were \$53,828 for the police department, \$341,795 for streets, and \$224,228 for the fire department. A total of \$75,113 in vehicles and equipment was removed from the street department asset listing as these items were advertised for bid and sold in March 2003.
- Construction in progress at October 31, 2003 totaled \$150,594 with \$115,124 incurred in construction costs for the police and fire buildings and \$35,470 under the LCDBG 2002 program.

Town of Franklinton, Louisiana

Management's Discussion and Analysis

Long-Term Debt

At October 31, 2003, the Town had total debt outstanding of \$5,226,079. Of this total, \$342,992 is due within one year and \$4,883,087 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. For more detailed information, see Note 10 to the financial statements on page 42 of this report.

**Outstanding Debt
October 31, 2003 and 2002**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Capital Leases	\$ -	\$ 31,410	\$ -	\$ 7,671	\$ -	\$ 39,081
Revenue Bonds	3,520,000	3,520,000	1,706,079	1,818,915	5,226,079	5,338,915
Total Outstanding Debt	<u>\$ 3,520,000</u>	<u>\$ 3,551,410</u>	<u>\$ 1,706,079</u>	<u>\$ 1,826,586</u>	<u>\$ 5,226,079</u>	<u>\$ 5,377,996</u>

Economic Factors

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 finance long-term projects only when necessary. However, a key development in the improvement of services was approval by the Town's citizens of the Public Improvements sales tax (2001 Sales Tax). Proceeds of this sales tax allowed issuance of \$3,520,000 in Certificates of Indebtedness (Series 2002) to fund needed public improvements. As of October 31, 2003, the Town had expended \$1,577,889 for street improvements, \$233,118 for drainage improvements, \$115,124 toward construction of new facilities for the police and fire departments, and \$589,352 for equipment purchases primarily to improve services provided by the police, fire, and street departments.

The Town also attempts to keep utility rates at the minimum required to cover the costs of utility system operation, although gas system rates are largely dependent on the amounts charged the Town for the cost of gas sold. However, after continued losses in the sewer and water department, the Town found it necessary to amend the rate schedule for sewer and water services, effective November 1, 2003. The rate increase involved a \$2 increase in the base rate for water, and \$3 increase in the base rate for sewer services.

Requests for Information

This financial report is designed to provide a general overview of the Town of Franklinton's finances and to demonstrate the Town's accountability. 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.

Town of Franklinton, Louisiana
Statement of Net Assets

Statement A

October 31, 2003

	Primary Government		Total
	Governmental Activities	Business Type Activities	
Assets			
Cash and Cash Equivalents	\$ 1,036,850	\$ 416,147	\$ 1,452,997
Investments	109,315	1,257,175	1,366,490
Receivables :			
Intergovernmental	329,179	-	329,179
Accounts	141,532	207,338	348,870
Inventory	-	32,538	32,538
Due From Other Funds	78,603	6,840	85,443
Bond Issue Cost, Net	15,379	7,857	23,236
Restricted Cash and Cash Equivalents	1,657,878	209,798	1,867,676
Land	490,715	3,300	494,015
Capital Assets, Net	2,949,671	3,890,659	6,840,330
Construction in Progress	150,594	-	150,594
Total Assets	\$ 6,959,716	\$ 6,031,652	\$ 12,991,368
Liabilities			
Cash Overdraft	\$ 2,376	\$ -	\$ 2,376
Accounts Payable	93,191	55,300	148,491
Compensated Absences Payable	27,675	9,617	37,292
Other Accrued Payables	-	9,054	9,054
Due To Other Governments	101,296	-	101,296
Due To Other Funds	83,939	1,504	85,443
Deferred Revenue	101,844	-	101,844
Customer Deposits	-	142,542	142,542
Current Portion of Long-Term Debt:			
Revenue Bonds Payable	319,000	23,992	342,992
Long-term Debt:			
Revenue Bonds Payable	3,201,000	1,682,087	4,883,087
Total Liabilities	3,930,321	1,924,096	5,854,417
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,283,989	2,187,880	3,471,869
Restricted for:			
Capital Projects and Debt Service	444,869	67,256	512,125
Unrestricted	1,300,537	1,852,420	3,152,957
Total Net Assets	\$ 3,029,395	\$ 4,107,556	\$ 7,136,951

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana
Statement of Activities

October 31, 2003

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
General Government	\$ 612,035	\$ 401,734	\$ -	\$ 35,456
Public Safety	1,014,827	28,935	-	-
Highways and Streets	457,744	-	-	-
Sanitation	110,829	-	-	-
Health and Welfare	396,223	-	-	-
Transportation	3,740	-	-	-
Building Repairs	52,424	-	-	-
Equipment Repairs	59,423	-	-	-
Economic Development	11,719	-	-	-
Amortization	716	-	-	-
Capital Lease Interest Expense	3,118	-	-	-
Bond Interest Expense	83,600	-	-	-
Total Governmental Activities	<u>2,806,398</u>	<u>430,669</u>	<u>-</u>	<u>35,456</u>
 Business-type Activities				
Gas	856,682	912,203	-	-
Water	382,544	337,768	-	-
Sewer	620,136	356,580	-	-
Total Business-type Activities	<u>\$ 1,859,362</u>	<u>\$ 1,606,551</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property Taxes

Sales Taxes

Franchise Taxes

Intergovernmental

Unrealized Gain (Loss)

Interest Income

Legal Settlement

Miscellaneous

Lease Principal Revenue

Lease Interest Revenue

Operating Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of these statements.

Statement B

Net (Expenses) Revenues	Net (Expenses) Revenues and Changes of Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ (174,845)	\$ (174,845)	\$ -	\$ (174,845)
(985,892)	(985,892)	-	(985,892)
(457,744)	(457,744)	-	(457,744)
(110,829)	(110,829)	-	(110,829)
(396,223)	(396,223)	-	(396,223)
(3,740)	(3,740)	-	(3,740)
(52,424)	(52,424)	-	(52,424)
(59,423)	(59,423)	-	(59,423)
(11,719)	(11,719)	-	(11,719)
(716)	(716)	-	(716)
(3,118)	(3,118)	-	(3,118)
(83,600)	(83,600)	-	(83,600)
<u>(2,340,273)</u>	<u>(2,340,273)</u>	<u>-</u>	<u>(2,340,273)</u>
55,521	-	55,521	55,521
(44,776)	-	(44,776)	(44,776)
(263,556)	-	(263,556)	(263,556)
<u>\$ (252,811)</u>	<u>\$ -</u>	<u>\$ (252,811)</u>	<u>\$ (252,811)</u>
	288,474	-	288,474
	1,543,878	-	1,543,878
	209,259	-	209,259
	658,152	-	658,152
	(989)	(25,077)	(26,066)
	38,292	59,278	97,570
	90,884	-	90,884
	36,776	-	36,776
	13,492	-	13,492
	3,013	-	3,013
	<u>152,986</u>	<u>(152,986)</u>	<u>-</u>
	<u>3,034,217</u>	<u>(118,785)</u>	<u>2,915,432</u>
	693,944	(371,596)	322,348
	<u>2,335,451</u>	<u>4,479,152</u>	<u>6,814,603</u>
	<u>\$ 3,029,395</u>	<u>\$ 4,107,556</u>	<u>\$ 7,136,951</u>

The accompanying notes are an integral part of these statements.

**Town of Franklinton, Louisiana
Balance Sheet, Governmental Funds**

Statement C

October 31, 2003

	General Fund	Sales Tax Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 295,285	\$ -	\$ -	\$ 741,565	\$ 1,036,850
Investments	109,315	-	-	-	109,315
Receivables:					
Intergovernmental	269,269	-	-	59,910	329,179
Accounts	141,532	-	-	-	141,532
Due From Other Funds	44,705	-	-	33,898	78,603
Bond Issue Cost, Net	-	-	-	15,379	15,379
Restricted Cash	-	1,253,612	404,266	-	1,657,878
Total Assets	\$ 860,106	\$ 1,253,612	\$ 404,266	\$ 850,752	\$ 3,368,736
Liabilities and Fund Balance					
Liabilities:					
Cash Overdraft	\$ -	\$ -	\$ -	\$ 2,376	\$ 2,376
Accounts Payable	69,294	-	-	23,897	93,191
Compensated Absences	27,675	-	-	-	27,675
Due to Other Governments	101,296	-	-	-	101,296
Due to Other Funds	34,948	-	-	48,991	83,939
Deferred Revenue	101,844	-	-	-	101,844
Total Liabilities	335,057	-	-	75,264	410,321
Fund Balance:					
Undesignated	525,049	-	-	775,488	1,300,537
Reserved Fund Balance	-	1,253,612	404,266	-	1,657,878
Total Fund Balance	525,049	1,253,612	404,266	775,488	2,958,415
Total Liabilities and Fund Balances	\$ 860,106	\$ 1,253,612	\$ 404,266	\$ 850,752	\$ 3,368,736

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement D

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Assets
October 31, 2003

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

Fund Balances, Total Governmental Funds (Statement C)	\$ 2,958,415
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets net of depreciation	3,590,980
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Revenue Bonds Payable	<u>(3,520,000)</u>
Net Assets of Governmental Activities (Statement A)	\$ <u>3,029,395</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement E

**Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended October 31, 2003**

	General Fund	Sales Tax Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,088,816	\$ -	\$ -	\$ 952,795	\$ 2,041,611
Licenses and Permits	256,578	-	-	-	256,578
Intergovernmental	658,152	-	-	-	658,152
Charges for Services	145,156	-	-	-	145,156
Fines and Forfeitures	28,935	-	-	-	28,935
LCDBG Grant	-	-	-	35,456	35,456
Unrealized Gain (Loss)	(851)	-	-	(138)	(989)
Interest	8,632	19,830	1,539	8,291	38,292
Legal Settlement	90,884	-	-	-	90,884
Miscellaneous	36,691	85	-	-	36,776
Total Revenues	2,312,993	19,915	1,539	996,404	3,330,851
Expenditures					
General Government	596,748	-	-	-	596,748
Public Safety:					
Police	768,522	-	-	16,686	785,208
Fire	64,299	-	-	55,987	120,286
Highways and Streets	381,674	-	-	-	381,674
Sanitation	110,829	-	-	-	110,829
Health and Welfare	396,223	-	-	-	396,223
Transportation	3,740	-	-	-	3,740
Amortization	-	-	-	716	716
Building Repairs	-	-	-	52,424	52,424
Equipment Repairs	-	-	-	59,423	59,423
Economic Development	-	-	-	11,719	11,719
Capital Outlays	119,070	684,936	-	802,425	1,606,431
Total Expenditures	2,441,105	684,936	-	999,380	4,125,421
Excess of Revenues Over (Under) Expenditures	(128,112)	(665,021)	1,539	(2,976)	(794,570)

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement E

**Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended October 31, 2003**

	General Fund	Sales Tax Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Lease Principal Revenue	\$ 13,492	\$ -	\$ -	\$ -	\$ 13,492
Lease Interest Revenue	3,013	-	-	-	3,013
Capital Lease Principal	-	-	-	(31,410)	(31,410)
Capital Lease Interest	-	-	-	(3,118)	(3,118)
Bond Interest Expense	-	-	(83,600)	-	(83,600)
Operating Transfers In (Out)	162,206	(574,052)	486,200	78,632	152,986
Total Other Financing Sources (Uses)	178,711	(574,052)	402,600	44,104	51,363
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 50,599	 (1,239,073)	 404,139	 41,128	 (743,207)
 Fund Balance, Beginning	 474,450	 2,492,685	 127	 734,360	 3,701,622
Fund Balance, Ending	\$ 525,049	\$ 1,253,612	\$ 404,266	\$ 775,488	\$ 2,958,415

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement F

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, 2003

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

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ (743,207)

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 capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 1,606,431	
Less current year depreciation	<u>(200,690)</u>	1,405,741

Repayment of capital lease principal is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments		<u>31,410</u>
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Change in Net Assets of Governmental Activities, Statement B		\$ <u>693,944</u>
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The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement G

Statement of Net Assets, Proprietary Funds
October 31, 2003

Assets

Current Assets:

Cash and Cash Equivalents	\$ 416,147
Investments	1,257,175
Accounts Receivable	133,382
Unbilled Receivables	73,956
Inventory	32,538
Due From Other Funds	6,840
Bond Issue Cost, Net	7,857
Total Current Assets	<u>1,927,895</u>

Restricted Assets:

Customer Deposits:

Cash and Cash Equivalents	145,843
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Bond Reserve Account:

Cash and Cash Equivalents	29,497
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Bond Contingency Account:

Cash and Cash Equivalents	30,859
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Bond Sinking Account:

Cash and Cash Equivalents	3,599
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Total Restricted Assets	<u>209,798</u>
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Plant and Equipment:

Land	3,300
Plant and Equipment, at Cost	8,900,133
Accumulated Depreciation	(5,009,474)
Net Plant and Equipment	<u>3,893,959</u>
Total Assets	<u>\$ 6,031,652</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement G

**Statement of Net Assets, Proprietary Funds
October 31, 2003**

Liabilities

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$ 55,300
Compensated Absences Payable	9,617
Other Accrued Payables	9,054
Due To Other Funds	1,504
Total Current Liabilities (Payable From Current Assets)	75,475

Current Liabilities (Payable From Restricted Assets):

Customer Deposits	142,542
Revenue Bonds Payable	23,992
Total Current Liabilities (Payable From Restricted Assets)	166,534

Long-Term Liabilities:

Revenue Bonds Payable	1,682,087
Total Long-Term Liabilities	1,682,087
Total Liabilities	1,924,096

Net Assets

Invested in Capital Assets, Net of Related Debt	2,187,880
Restricted for Capital Activity and Debt Service	67,256
Unrestricted	1,852,420
Total Net Assets	\$ 4,107,556

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement H

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended October 31, 2003**

	Gas Utility System	Water Utility System	Sewer Utility System	Total
Operating Revenues				
Gas Sales	\$ 911,641	\$ -	\$ -	\$ 911,641
Water Sales	-	332,206	-	332,206
Sewer Charges	-	-	351,480	351,480
Tie-Ins	550	5,550	5,100	11,200
Other	12	12	-	24
Total Operating Revenues	<u>912,203</u>	<u>337,768</u>	<u>356,580</u>	<u>1,606,551</u>
Operating Expenses				
Administrative	12,604	3,995	9,000	25,599
Bad Debts	2,935	9,707	4,536	17,178
Chemicals	-	8,468	-	8,468
Depreciation	26,061	75,191	236,180	337,432
Drug Program	2,430	-	-	2,430
Education	100	-	-	100
Employee Benefits	33,115	27,699	31,976	92,790
Fuel	2,928	1,058	1,759	5,745
Gas Purchases	597,201	-	-	597,201
Insurance	48,529	48,529	78,529	175,587
Meter Reading	10,849	10,849	-	21,698
Repairs & Maintenance	-	20	22,089	22,109
Salaries	97,922	71,132	80,770	249,824
Supplies	19,752	30,982	33,551	84,285
Utilities	-	29,319	61,014	90,333
Other	2,256	6,200	29,309	37,765
Total Operating Expenses	<u>856,682</u>	<u>323,149</u>	<u>588,713</u>	<u>1,768,544</u>
Operating Income (Loss)	<u>55,521</u>	<u>14,619</u>	<u>(232,133)</u>	<u>(161,993)</u>
Nonoperating Revenues (Expenses)				
Interest Income	29,250	13,450	16,578	59,278
Unrealized Gain (Loss)	(13,402)	(5,474)	(6,201)	(25,077)
Interest Expense	-	(59,395)	(31,423)	(90,818)
Total Nonoperating Revenues (Expenses)	<u>15,848</u>	<u>(51,419)</u>	<u>(21,046)</u>	<u>(56,617)</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Statement H

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended October 31, 2003**

	<u>Gas Utility System</u>	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Total</u>
Operating Transfers In (Out)				
Operating Transfer In	\$ -	\$ -	\$ 8,014	\$ 8,014
Operating Transfer Out	(60,000)	(10,000)	(91,000)	(161,000)
Total Operating Transfers In (Out)	<u>(60,000)</u>	<u>(10,000)</u>	<u>(82,986)</u>	<u>(152,986)</u>
Change in Net Assets	11,369	(46,800)	(336,165)	(371,596)
Total Net Assets, Beginning of Year Before Prior Period Adjustment	1,078,206	248,956	3,151,990	4,479,152
Prior Period Adjustment	<u>(1,597)</u>	<u>5,023</u>	<u>(3,426)</u>	<u>-</u>
Total Net Assets, Beginning of Year After Prior Period Adjustment	<u>1,076,609</u>	<u>253,979</u>	<u>3,148,564</u>	<u>4,479,152</u>
Total Net Assets - Ending	<u>\$ 1,087,978</u>	<u>\$ 207,179</u>	<u>\$ 2,812,399</u>	<u>\$ 4,107,556</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended October 31, 2003

Statement I

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Received From Customers	\$ 1,599,181
Received for Meter Deposit Fees	13,613
Receipts (Payments) for Interfund Services	(1,050)
Cash Payments for Operations	(1,209,608)
Cash Payments to Employees	(252,195)
Net Cash Provided by Operating Activities	<u>149,941</u>
 Cash Flows From NonCapital Financing Activities	
Transfers From (To) Other Funds	<u>(152,986)</u>
Net Cash (Used) by Noncapital Financing Activities	<u>(152,986)</u>
 Cash Flows From Capital and Related Financing Activities	
Paid for Capital Acquisitions	(10,081)
Principal Payments - Long Term Debt	(120,507)
Interest Payments - Long Term Debt	(90,818)
Net Cash (Used) by Capital and Related Financing Activities	<u>(221,406)</u>
 Cash Flows From Investing Activities	
Change in Investments	(50,527)
Receipts of Interest	59,278
Net Cash Provided by Investing Activities	<u>8,751</u>
 Net Cash (Decrease)	(215,700)
Cash and Cash Equivalents, Beginning of Year	<u>841,645</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>625,945</u></u>
 Reconciliation of Cash Accounts:	
Unrestricted Cash	\$ 416,147
Restricted Cash	<u>209,798</u>
	\$ <u><u>625,945</u></u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended October 31, 2003

Statement I

Reconciliation of Operating Income (Loss)	
to Net Cash Provided (Used)	
by Operating Activities	
Operating Income (Loss)	\$ (161,991)
Adjustments to Reconcile Operating	
Income (Loss) to Net Cash Provided	
(Used) by Operating Activities:	
Depreciation	337,432
Change in Accounts Receivable	(8,057)
Change in Unbilled Receivable	687
Change in Inventory	(14,234)
Change in Bond Issue Cost	276
Change in Accounts Payable	(14,364)
Change in Compensated Absences	498
Change in Accrued Salaries Payable	(8,088)
Change in Accrued Expenses	5,219
Change in Due From Other Funds	(1,050)
Change in Customer Deposits	13,613
Net Cash Provided (Used) by	
Operating Activities	<u>\$ 149,941</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

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 is 3,657 as reported by the U.S. Census Bureau, Census 2000. 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 1,042 gas customers, 1,484 water customers, and 1,477 sewer customers. The Town employs 46 full-time and 4 part-time employees in addition to the Mayor and Board of Aldermen.

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 assets and the statement of changes in net assets) 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, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 reported as separate columns in the fund financial statements.

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

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.

The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted resources based on a review of the specific transaction.

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. 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 of Franklinton reports the following major governmental funds:

The *General fund* is the Town's primary operating fund. It accounts for all financial resources, except those required to be accounted for in other funds.

The *Capital Project Fund*, which accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds. The Sales Tax Construction Fund was determined to be a major fund, with all other construction funds presented as non-major funds.

The *Debt Service Fund* accounts for resources set aside for payment of principal and interest on the Series 2002 Certificates of Indebtedness sales tax issue. This fund is considered a major fund for reporting purposes.

The Town reports the following major proprietary fund:

Enterprise Fund - accounts 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.

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

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.

Capital Project Funds - accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in other governmental funds.

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 governments 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. 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 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.

**Town of Franklinton, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended October 31, 2003

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."

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.

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 purpose	7.24 mills	\$ 106,108	\$ 106,945
Police ad valorem	5.18 mills	\$ 75,917	\$ 75,432
Street and drainage ad valorem	7.24 mills	\$ 106,108	\$ 105,397

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 on the balance sheet because their use is limited by applicable bond covenants.

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.

**Town of Franklinton, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended October 31, 2003

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	20 - 40 Years
Buildings & Improvements	20 - 40 Years
Machinery and Equipment	5 - 15 Years
Gas System	20 - 40 Years
Water System	20 - 40 Years
Sewer System	20 - 40 Years

H. Compensated Absences

Employees of the municipality earn annual leave at varying rates according to years of service. Accrued unused annual leave earned by an employee is carried forward to the succeeding calendar year until a maximum of twenty days accumulation. Accrued unused sick leave earned by an employee is carried forward to the succeeding calendar year without limitation. Employees that are terminated or resign will not be paid for accumulated sick leave.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 reported as debt service expenditures.

J. 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.

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. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Town of Franklinton, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended October 31, 2003

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 conformance 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 reporting 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 assets 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.

2. Stewardship, Compliance and Accountability

The Town of Franklinton uses the following Budget Practices:

- a) The proposed budget for October 31, 2003 was made available for public inspection on October 8, 2002. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal 14 days prior to the public hearing, which was held at the Town of Franklinton's City Hall on October 22, 2002, for comments from taxpayers. The budget was legally adopted by the board of aldermen on October 22, 2002.
- b) All expenditure appropriations lapse at year end.
- c) Unexpended appropriations and any excess of revenues over expenditures are carried forward to the subsequent year as beginning fund balances.
- d) The budget is amended during the course of the year as necessary by the board of aldermen.

The following fund had expenditures over appropriations for the fiscal year ended October 31, 2003:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Street Ad Valorem	\$ 97,000	\$ 8,000	\$ 55,091	\$ (47,091)

The expenditure over the approved budget for the Street Ad valorem Fund appears to have occurred because of a clerical error in the approved amended budget. Budget documents showed a decrease of \$81,000 in the final approved amended budget. With no change in the budget for expenditures, there would have been a favorable variance. In addition, the Economic Sales Tax Fund had a deficit fund balance of \$19,911 at October 31, 2003. The Town plans to accumulate sales tax funds in the current fiscal year to eliminate the fund balance deficit.

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

3. Cash and Cash Equivalents

At October 31, 2003, the Town has cash and cash equivalents (book balances) totaling \$3,320,673, as follows:

Demand deposits	\$ 2,880,959
Money market accounts	-
Time deposits	439,714
Total	<u>\$ 3,320,673</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, 2003, the Town has \$3,363,229 in deposits (collected bank balances). These deposits are secured from risk by \$300,000 of federal deposit insurance and \$3,058,162 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3). The remaining balance of \$5,067 is not secured by pledged securities and is in violation of state law.

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 municipality 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 I 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, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

At October 31, 2003, the Town holds investments totaling \$1,366,490 as follows:

	Carrying Amount	Market Value
Federal National Mortgage Association (FNMA)	\$ 46,750	\$ 46,750
Federal Home Loan Mortgage Corporation (FHLMC)	1,192,873	1,192,873
Government National Mortgage Association (GNMA)	31,429	31,429
Centennial Government Trust	95,438	95,438
Total	\$ 1,366,490	\$ 1,366,490

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 I50.164.

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 receivables of \$763,492 at October 31, 2003, are as follows:

Class of Receivable	General Fund	Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Total
Accounts - Customers	\$ 28,177	\$ -	\$ -	\$ 207,338	\$ 235,515
Franchise Tax	11,511	-	-	-	11,511
Lease Payments	101,844	-	-	-	101,844
Washington Parish - Sheriff	54,803	54,803	-	-	109,606
Washington Parish - Police Jury	17,180	-	-	-	17,180
Due From Other Funds	44,705	33,898	-	6,840	85,443
State	197,286	5,107	-	-	202,393
Total	\$ 455,506	\$ 93,808	\$ -	\$ 214,178	\$ 763,492

**Town of Franklinton, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended October 31, 2003

6. Interfund Receivables/Payables

The following is a detailed list of interfund balances reported in the fund financial statements.

	Due from	Due to
General fund	\$ 44,705	\$ 34,948
Other Governmental Funds - Non-Major	33,898	48,991
Enterprise fund	6,840	1,504
	\$ 85,443	\$ 85,443

The above totals represent amounts due and payable within one year for support of fire, police, and utility services.

The Enterprise Fund (Utility Fund) accounts receivable at October 31, 2003 consisted of the following:

	FYE 10/31/03
Accounts Receivable:	
Current	\$ 101,191
30-60 Days	13,858
61-90 Days	8,297
90 Days and Over	10,036
Total	133,382
Less: Allowance for Bad Debt	-
Accounts Receivable, Net	133,382
Unbilled Receivables	73,956
Total Accounts Receivable	\$ 207,338

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

7. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended October 31, 2003:

	Balance October 31, 2002	Increases	Decreases	Balance October 31, 2003
Governmental Activities:				
Capital Assets Not Depreciated:				
Land	\$ 247,676	\$ 243,039	\$ -	\$ 490,715
Total Capital Assets Not Being Depreciated	247,676	243,039	-	490,715
Other Capital Assets:				
Buildings & Improvements	643,383	1,808,608	-	2,451,991
Office Furniture & Equipment	5,789	890	-	6,679
Machinery and Equipment	579,204	246,379	-	825,583
Vehicles	571,538	378,116	(48,375)	901,279
Total Other Capital Assets	1,799,914	2,433,993	(48,375)	4,185,532
Less Accumulated Depreciation:				
Buildings & Improvements	(356,383)	(32,793)	-	(389,176)
Office Furniture & Equipment	(1,158)	(1,040)	-	(2,198)
Machinery and Equipment	(350,347)	(66,803)	-	(417,150)
Vehicles	(375,658)	(100,054)	48,375	(427,337)
Total Accumulated Depreciation	(1,083,546)	(200,690)	48,375	(1,235,861)
Other Capital Assets, Net	716,368	2,233,303	-	2,949,671
Construction In Progress	1,221,195	720,407	(1,791,008)	150,594
Governmental Activities Capital Assets, Net	\$ 2,185,239	\$ 3,196,749	\$ (1,791,008)	\$ 3,590,980

Depreciation was charged to governmental functions as follows:

General Government	\$ 15,287
Public Safety	109,333
Highways & Streets	76,070
	\$ 200,690

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

The following is a summary of the changes in capital assets for business-type activities for the fiscal year ended October 31, 2003:

Business-Type Activities:	Balance October 31, 2002	Increases	Decreases	Balance October 31, 2003
Land	\$ 3,300	\$ -	\$ -	\$ 3,300
Gas System	1,026,419	-	-	1,026,419
Water System	2,476,762	4,022	-	2,480,784
Sewer System	5,386,871	6,059	-	5,392,930
Total Capital Assets	<u>8,893,352</u>	<u>10,081</u>	<u>-</u>	<u>8,903,433</u>
Less Accumulated Depreciation:				
Gas System	809,666	26,060	-	835,726
Water System	1,450,968	75,192	-	1,526,160
Sewer System	2,411,408	236,180	-	2,647,588
Total Accumulated Depreciation	<u>4,672,042</u>	<u>337,432</u>	<u>-</u>	<u>5,009,474</u>
Total	<u>\$ 4,221,310</u>	<u>\$ (327,351)</u>	<u>\$ -</u>	<u>\$ 3,893,959</u>

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, as described in Significant Accounting Policies, Footnote G - Capital Assets.

8. Construction In Progress

At October 31, 2003, the Town reported construction in progress of \$150,594 consisting of \$115,124 for costs of the Police/Fire buildings which was financed from Sales Tax bond proceeds (Certificate of Indebtedness, Series 2002) and \$35,470 for street improvements which was financed from a 2002 Louisiana Community Development Block Grant.

9. Accounts, Salaries, and Other Payables

The payables at October 31, 2003 are as follows:

Accrued Expenses	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Fund	Total
Cash Overdraft	\$ -	\$ 2,376	\$ -	\$ -	\$ 2,376
Withholdings	-	-	-	7,667	7,667
Compensated Absences	27,675	-	-	9,617	37,292
Accounts Due to Other Governments	69,294	23,897	-	55,300	148,491
Due to Other Funds	101,296	-	-	-	101,296
Deferred Revenue	34,948	48,991	-	1,504	85,443
Sales Tax	101,844	-	-	-	101,844
Total	<u>\$ 335,057</u>	<u>\$ 75,264</u>	<u>\$ -</u>	<u>\$ 75,475</u>	<u>\$ 485,796</u>

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

10. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended October 31, 2003:

	Proprietary Fund Bonds	Propriety Fund Lease	Compensated Absences	Governmental Fund Bonds	Capital Leases	Total Long-Term Obligations
Beginning Balance	\$ 1,818,915	\$ 7,671	\$ 32,774	\$ 3,520,000	\$ 31,410	\$ 5,410,770
Additions	-	-	4,518	-	-	4,518
Deletions	112,836	7,671	-	-	31,410	151,917
Ending Balance	<u>\$ 1,706,079</u>	<u>\$ -</u>	<u>\$ 37,292</u>	<u>\$ 3,520,000</u>	<u>\$ -</u>	<u>\$ 5,263,371</u>

Bonds Payable at October 31, 2003, are comprised of the following individual issues:

	Bonds Payable End of Year	Due Within One Year
\$560,000 Sewer Revenue Bonds, Series 2002 dated June 3, 2002 Due in monthly installments of \$2,923 through June 3, 2032; interest at 4.75%	\$ 548,371	\$ 9,240
\$1,250,000 Water revenue bonds dated December 26, 1996, due in monthly installments of principal and interest of \$6,101.50 from January 26, 1997 to December 26, 2036	1,157,708	14,752
\$3,520,000 Certificate of Indebtedness, Series 2002 dated June 12, 2002; Due in annual installments of \$486,200 to \$494,420 through November 1, 2011; interest at 4.75% payable semi-annually May 1 and November 1 each year	3,520,000	319,000
	<u>\$ 5,226,079</u>	<u>\$ 342,992</u>

The annual requirements to amortize all debt outstanding at October 31, 2003, including interest payments of \$2,534,870 are as follows:

Year Ending October 31,	Sewer Revenue Bonds Series 2002	Water Revenue Bonds	Certificates of Indebtedness	Total
2004	\$ 35,088	\$ 73,218	\$ 478,624	\$ 586,930
2005	35,088	73,218	479,092	587,398
2006	35,088	73,218	479,776	588,082
2007	35,088	73,218	480,628	588,934
2008	35,088	73,218	480,625	588,931
2009-2013	175,440	366,090	1,927,951	2,469,481
2014-2018	175,440	366,090	-	541,530
2019-2023	175,440	366,090	-	541,530
2024-2028	175,440	366,090	-	541,530
2029-2033	128,656	366,090	-	494,746
2034-2037	-	231,857	-	231,857
	<u>\$ 1,005,856</u>	<u>\$ 2,428,397</u>	<u>\$ 4,326,696</u>	<u>\$ 7,760,949</u>

**Town of Franklinton, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended October 31, 2003

11. Dedication of Proceeds and Flow of Funds - 2% Sales and Use Tax

Proceeds of the initial 1% sales, totaling \$771,912 in collections for 2003 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 July 21, 2001, the voters of the Town of Franklinton passed a second 1% sales tax for a period of 10 years. This 1% sales tax is dedicated as follows:

- 1) 50% for constructing, improving and maintaining streets and drainage facilities and improvements. Collections for 2003, including State P&M sales tax collections, were \$387,186.
- 2) 20% for acquiring, improving, maintaining and operating equipment. Collections for 2003, including State P&M sales tax collections, were \$152,468.
- 3) 20% for acquiring, constructing, improving, maintaining and operating public buildings and facilities. Collections for 2003, including State P&M sales tax collections, were \$154,875.
- 4) 10% for promoting and encouraging the location and development of commerce and industry, including land and buildings therefor, with the proceeds of the tax to be subject to being funded into bonds. Collections for 2003, including State P&M sales tax collections, were \$77,437.

12. Flow of Funds, Restrictions on Use - Utilities Revenues

Sewer Revenue Refunding Bonds

The Sewer Revenue Refunding Bonds, Series 1993 issue required that all income and revenues earned or derived from the operation of the system be deposited as the same may be collected 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. Since these bonds were fully paid on October 31, 2003, the Sinking Fund, Reserve Fund, and Contingency Fund account balances at fiscal year-end are available for expenditure during the fiscal year 2004 at the discretion of the Town. At October 31, 2003, the Sinking Fund account balances totaling \$12,449, and the Reserve and Contingency accounts balances totaled \$46,598, and \$43,533 respectively were reclassified to unrestricted cash.

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.

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

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 20th day of each month, a sum of \$2,924.00. 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 20th day of each month until \$35,078.40 is on deposit therein. This Reserve Fund is fully funded at October 31, 2003 with a balance maintained of \$2,518.

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 20th 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 \$35,078.40 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, 2003 with a balance maintained of \$2,518.

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 1 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 20th day of each month, a sum of \$6,101.50. 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 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, 2003, with a balance maintained of \$26,979.

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

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 20th 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, 2003, with a balance maintained of \$28,341.

13. Compensated Absences

At October 31, 2003, employees of the Town have accumulated and vested \$37,292 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$27,675 is recorded as an obligation of the General Fund, and \$9,617 is recorded as an obligation of the Enterprise Funds.

14. Pension Plan

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 10 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 2 per cent of their final-average salary for each year of creditable service. Furthermore, with at least 10 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 3 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.

**Town of Franklinton, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended October 31, 2003

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Franklinton is required to contribute at an actuarially determined rate. The current rate is 4.65 percent of annual covered payroll. The Town of Franklinton's management has decided to pay 2.0 percent of the employees part, thus increasing the Town of Franklinton's pension percentage to 7.65 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 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, 2003, and 2002, were \$54,164, and \$37,106, 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 7.5 percent of their annual covered salary and the Town of Franklinton is required to contribute at an actuarially determined rate. The current rate is 15.75 percent of annual covered payroll. 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's contributions to the System for the years ending October 31, 2003, and 2002, were \$38,894, and \$26,313, respectively, equal to the required contributions for each year.

15. Other Post Employment Benefits

The Town of Franklinton provides health care insurance for employees who retire with twenty years of service. These benefits are provided until the retiree becomes eligible for Medicare. For the year ended October 31, 2003, the Town of Franklinton had no retirees eligible for this benefit.

**Town of Franklinton, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended October 31, 2003

16. Pending Litigation and Contingent Liabilities

As of October 31, 2003, the Town of Franklinton has several suits pending or threatened litigation. All of these suits are covered by insurance. It is the opinion of the Town that any loss that may be incurred will be immaterial.

17. Transportation Grant Subcontracted to Washington Parish Council on Aging, Inc.

The Town has entered into subcontracts with the Washington Parish Council on Aging, Inc. assigning all rights and liabilities under the grant agreements and contracts in order that the Council on Aging can administer the grants. The Town is the program sponsor and is legally and financially obligated in connection with fulfilling these grant agreements. The funds received and transferred under the grant are reported in "Schedule of Expenditures of Federal Awards" at the end of this report.

18. 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 statement that comprise the set of financial statements:

Individual enterprise fund statements as columns in the combining balance sheet; combining statements of revenues, expenses, and changes in retained earnings - proprietary fund type; and combining statement of cash flows - proprietary fund type and notes to the general purpose financial statements.

19. Deferred Revenue

The Town has an industrial site under a long-term financing agreement. The \$101,844 receivable for future lease payments is reported in the General Fund with a corresponding entry to deferred revenue. The lease payments collected are reported as Lease Principal Revenue and Lease Interest Revenue in "Other Financing Sources" in the General Fund.

	<u>Deferred Revenue as of 10/31/03</u>	<u>Revenue Recognized FYE 10/31/03</u>
Site 2, dated 6/15/08, Original Amount of \$201,049, with interest @ 3.00%, and payments of \$2,751/month for 72 months.	<u>\$ 101,844</u>	<u>\$ 16,505</u>

Town of Franklinton, Louisiana
Notes to the Financial Statements

As of and for the Year Ended October 31, 2003

20. Subsequent Events

During the fiscal year ending October 31, 2003, The Town of Franklinton was approved for a FY 2002 *Louisiana Community Development Block Grant* (LCDBG) award in the amount of \$498,000. At the November 10, 2003 regular meeting, the Town awarded a contract in the amount of \$329,650 to begin blacktopping targeted streets under the LCDBG program.

Construction was underway at October 31, 2003 for the new police station, and construction was beginning on new fire station facilities.

In compliance to requirements of the Louisiana Department of Environmental Quality (DEQ), the Town adopted a five year plan to correct deficiencies in the Town's sewer system. With the adoption of the plan, the Town authorized the engineer to apply for grant funding under the Louisiana Community Develop Grant Program (LCDBG), and grant and loan funding through the United States Department of Agriculture, Rural Utilities Service (RUS).

21. Prior Period Adjustment

A prior period adjustment was made to correct the allocation of net assets between the water, gas, and sewer departments within the Town's proprietary fund. The adjustment increases net assets of the water department by \$5,023, and decreases the net assets of the gas and sewer departments by \$1,597 and \$3,426 respectively. Since this adjustment involves an allocation of net assets between departments, the overall beginning balance of net assets for the Town's enterprise fund is not changed.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

Town of Franklinton, Louisiana

Schedule 1

**Budgetary Comparison Schedule
General Fund - Summary
For the Year Ended October 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 981,000	\$ 1,055,000	\$ 1,088,816	\$ 33,816
Licenses and Permits	265,000	265,000	256,578	(8,422)
Intergovernmental	508,427	545,427	658,152	112,725
Charges for Services	155,000	130,000	145,156	15,156
Fines and Forfeits	25,000	25,000	28,935	3,935
Unrealized Gain (Loss)	-	-	(851)	(851)
Interest	14,000	14,000	8,632	(5,368)
Legal Settlement	-	-	90,884	90,884
Miscellaneous	5,800	13,300	36,691	23,391
Total Revenues	<u>1,954,227</u>	<u>2,047,727</u>	<u>2,312,993</u>	<u>265,266</u>
Expenditures				
General Government	515,800	577,200	596,748	(19,548)
Public Safety:				
Police	687,460	724,960	768,522	(43,562)
Fire	50,636	53,536	64,299	(10,763)
Highways and Streets	365,500	376,500	381,674	(5,174)
Sanitation	120,000	120,000	110,829	9,171
Health and Welfare	401,852	405,452	396,223	9,229
Transportation	2,500	4,000	3,740	260
Capital Outlays	-	75,100	119,070	(43,970)
Total Expenditures	<u>2,143,748</u>	<u>2,336,748</u>	<u>2,441,105</u>	<u>(104,357)</u>
Excess of Revenues Over (Under) Expenditures	<u>(189,521)</u>	<u>(289,021)</u>	<u>(128,112)</u>	<u>160,909</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 1

**Budgetary Comparison Schedule
General Fund - Summary
For the Year Ended October 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses)				
Lease Principal Revenue	\$ -	\$ -	\$ 13,492	\$ 13,492
Lease Interest Revenue	-	-	3,013	3,013
Operating Transfers In	-	116,085	162,206	46,121
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>116,085</u>	<u>178,711</u>	<u>62,626</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (189,521)	 (172,936)	 50,599	 223,535
 Fund Balance, Beginning	 <u>474,450</u>	 <u>474,450</u>	 <u>474,450</u>	 <u>-</u>
Fund Balance, Ending	<u>\$ 284,929</u>	<u>\$ 301,514</u>	<u>\$ 525,049</u>	<u>\$ 223,535</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 2

**Budgetary Comparison Schedule
General Fund - Detail
For the Year Ended October 31, 2003**

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
Taxes:				
Ad Valorem	\$ 103,000	\$ 120,000	\$ 107,645	\$ (12,355)
Sales Taxes	700,000	745,000	771,912	26,912
Cablevision Franchise	15,000	27,000	26,870	(130)
CLECO Franchise	115,000	115,000	124,617	9,617
REA Franchise	15,000	15,000	17,744	2,744
Telephone Franchise	33,000	33,000	40,028	7,028
Total Taxes	<u>981,000</u>	<u>1,055,000</u>	<u>1,088,816</u>	<u>33,816</u>
Licenses and Permits				
Total Licenses and Permits	<u>265,000</u>	<u>265,000</u>	<u>256,578</u>	<u>(8,422)</u>
Intergovernmental:				
Beer Tax	12,000	10,000	10,335	335
Police Jury Rebate	120,000	155,000	240,249	85,249
State Fire Insurance Rebates	-	-	17,180	17,180
State Mowing	8,000	8,000	8,013	13
Alternative School Salary	6,000	10,000	9,948	(52)
Council on Aging Grant	347,427	347,427	347,427	-
State Grant	-	-	10,000	10,000
State Boat Ramp Grant	15,000	15,000	15,000	-
Total Intergovernmental	<u>508,427</u>	<u>545,427</u>	<u>658,152</u>	<u>112,725</u>
Charges for Services:				
Total Charges for Services	<u>155,000</u>	<u>130,000</u>	<u>145,156</u>	<u>15,156</u>
Fines and Forfeits:				
Total Fines and Forfeits	<u>25,000</u>	<u>25,000</u>	<u>28,935</u>	<u>3,935</u>
Unrealized Gain (Loss) On Investments:				
Total Unrealized Gain (Loss) On Investments:	<u>-</u>	<u>-</u>	<u>(851)</u>	<u>(851)</u>
Interest:				
Total Interest Income	<u>14,000</u>	<u>14,000</u>	<u>8,632</u>	<u>(5,368)</u>
Miscellaneous:				
Sales of Fixed Assets	-	7,500	7,425	(75)
Security Services	-	-	8,470	8,470
Jones Creek Settlement	-	-	90,884	90,884
Miscellaneous	5,800	5,800	20,796	14,996
Total Miscellaneous	<u>5,800</u>	<u>13,300</u>	<u>127,575</u>	<u>114,275</u>
Total Revenues	<u>\$ 1,954,227</u>	<u>\$ 2,047,727</u>	<u>\$ 2,312,993</u>	<u>\$ 265,266</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 2

Budgetary Comparison Schedule
General Fund - Detail
For the Year Ended October 31, 2003

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
General Government:				
Administration's Fuel Expense	\$ 6,500	\$ 6,500	\$ 8,002	\$ (1,502)
Assessor's Fee	2,500	2,500	2,208	292
Audit Fee	4,000	6,000	6,000	-
Dues to Municipal Associations	3,000	3,000	2,471	529
Health Insurance	12,000	25,000	26,335	(1,335)
Industrial Development	85,000	85,000	85,125	(125)
Insurance	150,000	160,000	164,029	(4,029)
Janitorial Supplies	3,000	3,000	2,869	131
Legal Fees	12,000	16,000	22,923	(6,923)
Legal Journal	6,000	6,000	6,932	(932)
Manager's Fuel	1,800	1,800	1,310	490
Mayor's Fund	1,500	5,000	4,062	938
Office Supplies	14,000	14,000	19,851	(5,851)
Officials' Salaries	39,600	42,000	41,600	400
Officials' Travel and Per Diem	5,000	10,000	10,778	(778)
Payroll Taxes	12,600	13,600	13,822	(222)
Physical Examinations	500	500	181	319
Postage	6,000	6,000	5,650	350
Retirement	10,800	10,800	9,614	1,186
Salaries	125,000	140,000	141,509	(1,509)
Unemployment	-	300	185	115
Uniforms	5,000	7,200	7,516	(316)
Utilities	10,000	13,000	13,776	(776)
Total General Government	515,800	577,200	596,748	(19,548)
Public Safety:				
Police:				
Aids Insurance	300	300	300	-
Building Maintenance	-	-	124	(124)
Drug Fund	1,000	1,000	500	500
Drug Testing	3,600	3,600	1,778	1,822
Dues	400	400	610	(210)
Fuel	15,800	15,800	16,631	(831)
Health Insurance	49,500	66,000	71,753	(5,753)
Hepatitis	400	400	-	400
Investigative Supplies	1,500	1,500	2,300	(800)
Jail & Court Cost	-	-	18	(18)
Janitorial	2,000	2,000	2,499	(499)
Maintenance Contract	2,000	2,500	4,420	(1,920)

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton

Schedule 2

**Budgetary Comparison Schedule
General Fund - Detail
For the Year Ended October 31, 2003**

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
Necropsy	\$ 500	\$ 500	\$ 1,580	\$ (1,080)
Office Supplies	8,500	8,500	18,774	(10,274)
Payroll Taxes	40,000	41,500	43,529	(2,029)
Police Bonds	1,000	1,000	2,500	(1,500)
Retirement	36,500	36,500	38,494	(1,994)
Reserve	-	-	13,485	(13,485)
Salaries	489,500	498,500	510,511	(12,011)
Settlement	-	5,000	5,000	-
Uniform Allowance	7,560	7,560	7,338	222
Uniforms	1,000	1,000	1,153	(153)
Utilities	26,400	31,400	25,225	6,175
Total Police	687,460	724,960	768,522	(43,562)
Fire:				
Dues	150	150	61	89
Fire Awareness	-	-	189	(189)
Fuel	1,700	2,200	2,794	(594)
Health Insurance	2,750	2,750	5,617	(2,867)
Insurance	12,000	12,000	14,811	(2,811)
Meetings	1,500	1,000	1,411	(411)
Payroll Taxes	1,900	1,700	1,978	(278)
Radio Expense	1,000	1,200	1,584	(384)
Salaries	21,750	22,750	22,827	(77)
School and Training	1,000	800	1,102	(302)
Supplies	3,400	3,400	7,692	(4,292)
Telephone	3,086	5,086	3,687	1,399
Uniforms	400	400	377	23
Utilities	-	100	169	(69)
Total Fire	50,636	53,536	64,299	(10,763)
Highways, Streets and Drainage:				
Co-op Building	15,000	7,500	9,880	(2,380)
Fuel	7,200	7,200	8,405	(1,205)
Health Insurance	30,200	47,500	49,371	(1,871)
Payroll Taxes	17,400	16,800	16,218	582
Retirement	16,700	16,700	21,050	(4,350)
Tree Removal	2,500	1,300	1,200	100
Salaries	228,000	231,000	221,483	9,517
Supplies	22,000	22,000	26,099	(4,099)
Street Lights	26,500	26,500	27,968	(1,468)
Total Highways, Streets and Drainage	365,500	376,500	381,674	(5,174)

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 2

**Budgetary Comparison Schedule
General Fund - Detail
For the Year Ended October 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Sanitation Fees	\$ 120,000	\$ 120,000	\$ 110,829	\$ 9,171
Total Sanitation	<u>120,000</u>	<u>120,000</u>	<u>110,829</u>	<u>9,171</u>
Health and Welfare:				
Animal Control	25,000	27,000	28,425	(1,425)
Animal Control Payroll Tax	1,200	1,000	927	73
Animal Control Retirement	1,100	1,100	1,013	87
Animal Control Salary	15,000	13,000	11,852	1,148
Condemnation Expense	1,200	-	-	-
Council on Aging	347,427	347,427	347,427	-
Pest Control	10,000	15,000	5,655	9,345
Veterans Contribution	925	925	924	1
Total Health and Welfare	<u>401,852</u>	<u>405,452</u>	<u>396,223</u>	<u>9,229</u>
Transportation:				
Airport Utilities	1,500	1,500	1,486	14
Airport Maintenance	1,000	2,500	2,254	246
Total Transportation	<u>2,500</u>	<u>4,000</u>	<u>3,740</u>	<u>260</u>
Capital Outlays:				
General Government	-	68,000	91,457	(23,457)
Highway & Streets	-	-	19,315	(19,315)
Public Safety	-	7,100	8,298	(1,198)
Total Capital Outlays	<u>-</u>	<u>75,100</u>	<u>119,070</u>	<u>(43,970)</u>
Total Expenditures	<u>2,143,748</u>	<u>2,336,748</u>	<u>2,441,105</u>	<u>(104,357)</u>
Excess Revenues (Expenditures)	<u>(189,521)</u>	<u>(289,021)</u>	<u>(128,112)</u>	<u>160,909</u>
Other Financing Sources (Uses)				
Lease Principal Revenue	-	-	13,492	13,492
Lease Interest Revenue	-	-	3,013	3,013
Operating Transfers In	-	116,085	162,206	46,121
Total Other Financing Sources (Uses)	<u>-</u>	<u>116,085</u>	<u>178,711</u>	<u>62,626</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	(189,521)	(172,936)	50,599	223,535
Fund Balance, Beginning	<u>474,450</u>	<u>474,450</u>	<u>474,450</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 284,929</u>	<u>\$ 301,514</u>	<u>\$ 525,049</u>	<u>\$ 223,535</u>

(Concluded)

The accompanying notes are an integral part of these statements.

OTHER SUPPLEMENTAL SCHEDULES

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.

Street Ad Valorem - To account for the receipt and disbursement of a seven (7) mill ad valorem tax dedicated for the purpose of maintaining and improving streets and drainage.

Rural Development - 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.

Streets & Drainage - To account for the receipt and disbursement of 50% of a 1% sales tax dedicated for the purposes of constructing, improving and maintaining streets and drainage facilities and improvements.

Equipment Fund - To account for the receipt and disbursement of 20% of a 1% sales tax dedicated for the purposes of acquiring, improving, maintaining and operating equipment.

Public Buildings - 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.

Economic Development - To account for the receipt and 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 buildings therefor, with the proceeds of the tax to be subject to being funded into bonds.

Capital Projects Funds: To account for capital improvements from proceeds derived from surplus funds, grant proceeds, and from financing for long-term construction projects.

Town of Franklinton, Louisiana

**Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended October 31, 2003**

	Special Revenue				
	Police Ad Valorem	Street Ad Valorem	Rural Development Grant	Street & Drainage Sales Tax	Equipment Fund Sales Tax
Assets					
Cash	\$ 84,673	\$ 252,206	\$ 30,163	\$ 330,738	\$ -
Due From Other Funds	-	-	-	10,869	4,348
Due From Other Governments	-	-	-	29,955	11,982
Bond Issue Cost, Net	-	-	-	7,690	3,076
Total Assets	\$ 84,673	\$ 252,206	\$ 30,163	\$ 379,252	\$ 19,406
 Liabilities and Fund Equity					
Liabilities:					
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ 2,376
Accounts Payable	3,143	8,174	-	-	6,567
Due to Other Funds	7,700	-	-	-	5,685
Total Liabilities	10,843	8,174	-	-	14,628
 Fund Equity:					
Fund Balance	73,830	244,032	30,163	379,252	4,778
Total Fund Equity	73,830	244,032	30,163	379,252	4,778
Total Liabilities and Fund Equity	\$ 84,673	\$ 252,206	\$ 30,163	\$ 379,252	\$ 19,406

The accompanying notes are an integral part of these statements.

Schedule 3

Special Revenue		Capital Project	
Public Buildings Sales Tax	Economic Development Sales Tax	LCDBG Sewer Project	Total
\$ 36,267	\$ 7,518	\$ -	\$ 741,565
16,507	2,174	-	33,898
11,982	5,991	-	59,910
3,075	1,538	-	15,379
<u>\$ 67,831</u>	<u>\$ 17,221</u>	<u>\$ -</u>	<u>\$ 850,752</u>
\$ -	\$ -	\$ -	\$ 2,376
4,473	1,540	-	23,897
-	35,592	14	48,991
<u>4,473</u>	<u>37,132</u>	<u>14</u>	<u>75,264</u>
<u>63,358</u>	<u>(19,911)</u>	<u>(14)</u>	<u>775,488</u>
<u>63,358</u>	<u>(19,911)</u>	<u>(14)</u>	<u>775,488</u>
<u>\$ 67,831</u>	<u>\$ 17,221</u>	<u>\$ -</u>	<u>\$ 850,752</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended October 31, 2003**

	Special Revenue			
	Police Ad Valorem	Street Ad Valorem	Rural Development Grant	Street & Drainage Sales Tax
Revenues				
Ad Valorem Taxes	\$ 75,432	\$ 105,397	\$ -	\$ -
Sales Tax	-	-	-	387,186
LCDBG Grant	-	-	-	-
Interest	950	2,798	323	3,012
Unrealized Gain (Loss)	-	(138)	-	-
Total Revenues	<u>76,382</u>	<u>108,057</u>	<u>323</u>	<u>390,198</u>
Expenditures				
Amortization	-	-	-	-
Police	16,686	-	-	-
Highways and Streets	-	55,091	-	896
Building Repairs	-	-	-	-
Equipment Repairs	-	-	-	-
Economic Development	-	-	-	-
Capital Outlays	19,079	-	-	-
Total Expenditures	<u>35,765</u>	<u>55,091</u>	<u>-</u>	<u>896</u>
Excess of Revenues Over (Under) Expenditures	<u>40,617</u>	<u>52,966</u>	<u>323</u>	<u>389,302</u>
Other Financing Sources (Uses)				
Capital Lease Principal				
Capital Lease Interest	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	(1,206)	-	-	(267,410)
Total Other Financing Sources (Uses)	<u>(1,206)</u>	<u>-</u>	<u>-</u>	<u>(267,410)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	39,411	52,966	323	121,892
Fund Balance, Beginning	34,419	191,066	29,841	257,359
Fund Balance, Ending	<u>\$ 73,830</u>	<u>\$ 244,032</u>	<u>\$ 30,164</u>	<u>\$ 379,251</u>

The accompanying notes are an integral part of these statements.

Schedule 4

	Special Revenue		Capital Project	
Equipment Fund Sales Tax	Public Buildings Sales Tax	Economic Development Sales Tax	LCDBG Sewer Project	Total
\$ -	\$ -	\$ -	\$ -	\$ 180,829
152,468	154,875	77,437	-	771,966
-	-	-	35,456	35,456
340	672	196	-	8,291
-	-	-	-	(138)
<u>152,808</u>	<u>155,547</u>	<u>77,633</u>	<u>35,456</u>	<u>996,404</u>
358	358	-	-	716
-	-	-	-	16,686
-	-	-	-	55,987
-	52,424	-	-	52,424
59,423	-	-	-	59,423
-	-	11,719	-	11,719
<u>584,916</u>	<u>-</u>	<u>162,960</u>	<u>35,470</u>	<u>802,425</u>
<u>644,697</u>	<u>52,782</u>	<u>174,679</u>	<u>35,470</u>	<u>999,380</u>
<u>(491,889)</u>	<u>102,765</u>	<u>(97,046)</u>	<u>(14)</u>	<u>(2,976)</u>
(31,410)	-	-	-	(31,410)
(3,118)	-	-	-	(3,118)
570,045	-	-	-	570,045
<u>(101,247)</u>	<u>(121,550)</u>	<u>-</u>	<u>-</u>	<u>(491,413)</u>
<u>434,270</u>	<u>(121,550)</u>	<u>-</u>	<u>-</u>	<u>44,104</u>
(57,619)	(18,785)	(97,046)	(14)	41,128
<u>62,397</u>	<u>82,143</u>	<u>77,135</u>	<u>-</u>	<u>734,360</u>
<u>\$ 4,778</u>	<u>\$ 63,358</u>	<u>\$ (19,911)</u>	<u>\$ (14)</u>	<u>\$ 775,488</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 5

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund - Police Ad Valorem
For the Year Ended October 31, 2003**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Ad Valorem Taxes	\$ 75,000	\$ 75,432	\$ 432
Interest	1,000	950	(50)
Total Revenues	<u>76,000</u>	<u>76,382</u>	<u>382</u>
Expenditures			
Schools & Training	10,000	7,839	2,161
Officer Certification	2,000	1,502	498
Police Supplies	5,000	4,494	506
Radio Repairs	5,600	2,851	2,749
Capital Outlays	50,000	19,079	30,921
Total Expenditures	<u>72,600</u>	<u>35,765</u>	<u>36,835</u>
Excess of Revenues Over (Under) Expenditures	<u>3,400</u>	<u>40,617</u>	<u>37,217</u>
Other Financing Sources (Uses)			
Operating Transfer Out	-	(1,206)	(1,206)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,206)</u>	<u>(1,206)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,400	39,411	36,011
Fund Balance, Beginning	<u>34,419</u>	<u>34,419</u>	-
Fund Balance, Ending	<u>\$ 37,819</u>	<u>\$ 73,830</u>	<u>\$ 36,011</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 6

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund - Street Ad Valorem
For the Year Ended October 31, 2003**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad Valorem Taxes	\$ 105,000	\$ 105,397	\$ 397
State Grant	-	-	-
Interest	2,000	2,798	798
Unrealized Gain (Loss)	-	(138)	(138)
Total Revenues	107,000	108,057	1,057
Expenditures			
Highways and Streets	7,000	20,708	(13,708)
Drainage Projects	1,000	34,383	(33,383)
Total Highways and Streets	8,000	55,091	(47,091)
Excess of Revenues Over (Under) Expenditures	99,000	52,966	(46,034)
Other Financing Sources (Uses)			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	99,000	52,966	(46,034)
Fund Balance, Beginning	191,066	191,066	-
Fund Balance, Ending	\$ 290,066	\$ 244,032	\$ (46,034)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 7

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund - Rural Development Grant
For the Year Ended October 31, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
State Grant	\$ -	\$ -	\$ -
Interest	-	323	323
Total Revenues	<u>-</u>	<u>323</u>	<u>323</u>
Expenditures			
Capital Outlays	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>323</u>	<u>323</u>
Other Financing Sources (Uses)			
Lease Interest Payments	-	-	-
Lease Principal Payments	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>323</u>	<u>323</u>
Fund Balance, Beginning	<u>29,841</u>	<u>29,841</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 29,841</u>	<u>\$ 30,164</u>	<u>\$ 323</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 8

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund - Streets & Drainage Sales Tax
For the Year Ended October 31, 2003**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales Tax	\$ 370,000	\$ 387,186	\$ 17,186
Interest	-	3,012	3,012
Total Revenues	370,000	390,198	20,198
Expenditures			
Amortization	373	896	(523)
Street Supplies	5,000	-	5,000
Drainage Supplies	10,000	-	10,000
Total Expenditures	15,373	896	14,477
Excess of Revenues Over (Under) Expenditures	354,627	389,302	34,675
Operating Transfers In (Out)			
Operating Transfer Out	(267,400)	(267,410)	(10)
Total Operating Transfers In (Out)	(267,400)	(267,410)	(10)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	87,227	121,892	34,665
Fund Balance, Beginning	257,359	257,359	-
Fund Balance, Ending	\$ 344,586	\$ 379,251	\$ 34,665

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 9

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund - Equipment Fund Sales Tax
For the Year Ended October 31, 2003**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales Tax	\$ 158,000	\$ 152,468	\$ (5,532)
Interest	-	340	340
Total Revenues	158,000	152,808	(5,192)
Expenditures			
Amortization	-	358	(358)
Equipment Repairs	47,260	59,423	(12,163)
Lease Payments	34,528	34,528	-
Capital Expenditures	581,761	584,916	(3,155)
Total Expenditures	663,549	679,225	(15,676)
Excess of Revenues Over (Under) Expenditures	(505,549)	(526,417)	(20,868)
Operating Transfers In (Out)			
Operating Transfer In	570,045	570,045	-
Operating Transfer Out	(101,247)	(101,247)	-
Total Operating Transfers In (Out)	468,798	468,798	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(36,751)	(57,619)	(20,868)
Fund Balance, Beginning	62,397	62,397	-
Fund Balance, Ending	\$ 25,646	\$ 4,778	\$ (20,868)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 10

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund - Public Buildings Sales Tax
For the Year Ended October 31, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Sales Tax	\$ 153,000	\$ 154,875	\$ 1,875
Interest	-	672	672
Total Revenues	<u>153,000</u>	<u>155,547</u>	<u>2,547</u>
Expenditures			
Amortization	-	358	(358)
Maintenance	46,460	49,589	(3,129)
Capital Expenditures	4,000	2,835	1,165
Total Expenditures	<u>50,460</u>	<u>52,782</u>	<u>(2,322)</u>
Excess of Revenues Over (Under) Expenditures	<u>102,540</u>	<u>102,765</u>	<u>225</u>
Operating Transfers In (Out)			
Operating Transfer Out	<u>(121,500)</u>	<u>(121,550)</u>	<u>(50)</u>
Total Operating Transfers In (Out)	<u>(121,500)</u>	<u>(121,550)</u>	<u>(50)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(18,960)	(18,785)	175
Fund Balance, Beginning	<u>82,143</u>	<u>82,143</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 63,183</u>	<u>\$ 63,358</u>	<u>\$ 175</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 11

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund - Economic Development Sales Tax
For the Year Ended October 31, 2003**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales Tax	\$ 70,000	\$ 77,437	\$ 7,437
Interest	-	196	196
Total Revenues	70,000	77,633	7,633
Expenditures			
Economic Development	12,000	11,719	281
Capital Expenditure	162,660	162,960	(300)
Total Expenditures	174,660	174,679	(19)
Excess of Revenues Over (Under) Expenditures	(104,660)	(97,046)	7,614
Fund Balance, Beginning	77,135	77,135	-
Fund Balance, (Deficit)Ending	\$ (27,525)	\$ (19,911)	\$ 7,614

The accompanying notes are an integral part of these statements.

PROPRIETARY FUNDS

Gas Utility System Fund - 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 Fund - 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 Fund - 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, Louisiana

Schedule 12

Comparative Balance Sheet
Proprietary Fund Type
October 31, 2003 and 2002

	<u>Enterprise Funds</u>	
	<u>2003</u>	<u>2002</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 416,147	\$ 517,106
Investments	1,257,175	1,231,725
Accounts Receivable	133,382	125,325
Unbilled Receivables	73,956	74,643
Inventory	32,538	18,304
Due From Other Funds	6,840	5,000
Bond Issue Cost, Net	7,857	8,133
Total Current Assets	<u>1,927,895</u>	<u>1,980,236</u>
Restricted Assets:		
Customer Deposits:		
Cash and Cash Equivalents	145,843	131,442
Bond Reserve Account:		
Cash and Cash Equivalents	29,497	69,138
Bond Contingency Account:		
Cash and Cash Equivalents	30,859	64,782
Bond Sinking Account:		
Cash and Cash Equivalents	3,599	59,177
Total Restricted Assets	<u>209,798</u>	<u>324,539</u>
Plant and Equipment:		
Land	3,300	3,300
Plant and Equipment, at Cost	8,900,133	8,890,052
Accumulated Depreciation	(5,009,474)	(4,672,042)
Net Plant and Equipment	<u>3,893,959</u>	<u>4,221,310</u>
Total Assets	<u>\$ 6,031,652</u>	<u>\$ 6,526,085</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton

Schedule 12

Comparative Balance Sheet
Proprietary Fund Type
October 31, 2003 and 2002

	Enterprise Fund	
	2003	2002
Liabilities and Fund Equity		
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 55,300	\$ 69,662
Compensated Absences Payable	9,617	9,119
Accrued Salaries Payable	-	8,088
Other Accrued Payables	9,054	3,835
Due To Other Funds	1,504	714
Total Current Liabilities (Payable From Current Assets)	75,475	91,418
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	142,542	128,929
Lease Payable	-	7,671
Revenue Bonds Payable	23,992	66,835
Total Current Liabilities (Payable From Restricted Assets)	166,534	203,435
Long-Term Liabilities:		
Revenue Bonds Payable	1,682,087	1,752,080
Total Long-Term Liabilities	1,682,087	1,752,080
Total Liabilities	1,924,096	2,046,933
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,187,880	2,394,724
Restricted for Capital Activity and Debt Service	67,256	195,610
Unrestricted	1,852,420	1,888,818
Total Net Assets	4,107,556	4,479,152
Total Liabilities and Net Assets	\$ 6,031,652	\$ 6,526,085

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 13

Comparative Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund Type
 For the Years Ended October 31, 2003 and 2002

	Enterprise Funds	
	2003	2002
Operating Revenues		
Gas Sales	\$ 911,641	\$ 783,654
Water Sales	332,206	326,347
Sewer Service Charges	351,480	360,175
Tie-Ins	11,200	7,400
Miscellaneous	24	472
Total Operating Revenues	<u>1,606,551</u>	<u>1,478,048</u>
Operating Expenses		
Administrative	25,599	31,469
Bad Debts	17,178	-
Chemicals	8,468	17,301
Depreciation	337,432	335,753
Drug Program	2,430	3,206
Education	100	2,085
Employee Benefits	92,790	61,010
Fuel	5,745	6,033
Gas Purchases	597,201	502,907
Insurance	175,587	45,900
Meter Reading	21,698	-
Repairs & Maintenance	22,109	15,440
Salaries	249,824	275,685
Supplies	84,285	122,952
Utilities	90,333	76,575
Other	37,765	14,939
Total Operating Expenses	<u>1,768,544</u>	<u>1,511,255</u>
Operating Income (Loss)	<u>(161,993)</u>	<u>(33,207)</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton

Schedule 13

**Comparative Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type
For the Years Ended October 31, 2003 and 2002**

	Enterprise Funds	
	2003	2002
Nonoperating Revenues (Expenses)		
Interest Income	\$ 59,278	\$ 61,565
Unrealized Gain (Loss)	(25,077)	8,252
Interest Expense	(90,818)	(91,290)
Legal Settlement	-	87,408
Total Nonoperating Revenues (Expenses)	(56,617)	65,935
Operating Transfers In (Out)		
Operating Transfer In	8,014	16,028
Operating Transfer Out	(161,000)	(30,000)
Total Operating Transfers In (Out)	(152,986)	(13,972)
Income (Loss) Before Contributions	(371,596)	18,756
Capital Contributions	-	1,871
Change in Net Assets	(371,596)	20,627
Net Assets, Beginning of Year	4,479,152	4,458,525
Net Assets, End of Year	\$ 4,107,556	\$ 4,479,152

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 14

Comparative Schedule of Cash Flows
Proprietary Fund Type
For the Years Ended October 31, 2003 and 2002

	Enterprise Funds	
	2003	2002
Cash Flows from Operating Activities		
Received From Customers	\$ 1,599,181	\$ 1,508,127
Received (Paid) for Meter Deposit Fees	13,613	3,309
Cash Received From Other Funds	(1,050)	714
Cash Payments for Operations	(1,209,608)	(1,083,928)
Cash Payments to Employees	(252,195)	(329,455)
Net Cash Provided by Operating Activities	<u>149,941</u>	<u>98,767</u>
Cash Flows from Noncapital Financing Activities		
Transfer From (To) Other Funds	(152,986)	(13,972)
Legal Settlement	-	87,408
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(152,986)</u>	<u>73,436</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds From Issuing Bonds	-	560,000
Proceeds From Capital Grants	-	1,871
Paid for Capital Acquisitions	(10,081)	(45,369)
Paid for Bond Issue Cost	-	(8,133)
Principal Payments - Long Term Debt	(120,507)	(620,703)
Interest Payments - Long Term Debt	(90,818)	(91,290)
Net Cash (Used) by Capital and Related Financing Activities	<u>(221,406)</u>	<u>(203,624)</u>
Cash Flows from Investing Activities		
Change in Investments	(50,527)	(39,864)
Receipts of Interest	59,278	61,565
Net Cash Provided by Investing Activities	<u>8,751</u>	<u>21,701</u>
Net Cash Increase (Decrease)	(215,700)	(9,720)
Cash and Cash Equivalents, Beginning of Year	841,645	851,365
Cash and Cash Equivalents, End of Year	<u>\$ 625,945</u>	<u>\$ 841,645</u>
Reconciliation of Cash Accounts:		
Unrestricted Cash	\$ 416,147	\$ 517,106
Restricted Cash	209,798	324,539
	<u>\$ 625,945</u>	<u>\$ 841,645</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton

Schedule 14

Comparative Schedule of Cash Flows
 Proprietary Fund Type
 For the Years Ended October 31, 2003 and 2002

	Enterprise Funds	
	2003	2002
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (161,991)	\$ (33,207)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	337,432	335,753
Change in Accounts Receivable	(8,057)	16,897
Change in Unbilled Receivable	687	13,182
Change in Inventory	(14,234)	(410)
Change in Bond Issue Cost	276	-
Change in Accounts Payable	(14,364)	(244,711)
Change in Compensated Absences	498	3,122
Change in Accrued Salaries Payable	(8,088)	283
Change in Accrued Expenses	5,219	3,835
Change in Due From Other Funds	(1,050)	714
Change in Customer Deposits	13,613	3,309
Net Cash Provided (Used) by Operating Activities	\$ <u>149,941</u>	\$ <u>98,767</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 15

Combining Balance Sheet
Enterprise Funds - Utility Funds
For the Year Ended October 31, 2003

	Gas Utility System	Water Utility System	Sewer Utility System	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 174,509	\$ 18,801	\$ 222,837	\$ 416,147
Investments	625,353	295,658	336,164	1,257,175
Accounts Receivable	64,460	30,787	38,135	133,382
Unbilled Receivables	34,811	18,217	20,928	73,956
Inventory	32,538	-	-	32,538
Due From Other Funds	5,000	324	1,516	6,840
Bond Issue Cost, Net	-	-	7,857	7,857
Total Current Assets	<u>936,671</u>	<u>363,787</u>	<u>627,437</u>	<u>1,927,895</u>
Restricted Assets:				
Customer Deposits:				
Cash and Cash Equivalents	76,016	69,827	-	145,843
Bond Reserve Account:				
Cash and Cash Equivalents	-	26,979	2,518	29,497
Bond Contingency Account:				
Cash and Cash Equivalents	-	28,341	2,518	30,859
Bond Sinking Account:				
Cash and Cash Equivalents	-	655	2,944	3,599
Total Restricted Assets	<u>76,016</u>	<u>125,802</u>	<u>7,980</u>	<u>209,798</u>
Plant and Equipment:				
Land	-	3,300	-	3,300
Plant and Equipment, at Cost	1,026,419	2,480,784	5,392,930	8,900,133
Accumulated Depreciation	(835,726)	(1,526,160)	(2,647,588)	(5,009,474)
Net Plant and Equipment	<u>190,693</u>	<u>957,924</u>	<u>2,745,342</u>	<u>3,893,959</u>
Total Assets	<u>\$ 1,203,380</u>	<u>\$ 1,447,513</u>	<u>\$ 3,380,759</u>	<u>\$ 6,031,652</u>

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton

Schedule 15

**Combining Balance Sheet
Enterprise Funds - Utility Funds
For the Year Ended October 31, 2003**

Liabilities and Fund Equity	<u>Gas Utility System</u>	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Total</u>
Liabilities:				
Current Liabilities (Payable				
From Current Assets):				
Accounts Payable	\$ 33,267	\$ 5,971	\$ 16,062	\$ 55,300
Compensated Absences Payable	4,027	3,886	1,704	9,617
Other Accrued Payables	5,048	1,783	2,223	9,054
Due To Other Funds	790	714	-	1,504
Total Current Liabilities (Payable	<u>43,132</u>	<u>12,354</u>	<u>19,989</u>	<u>75,475</u>
From Restricted Assets):				
Customer Deposits	72,270	70,272	-	142,542
Revenue Bonds Payable	-	14,752	9,240	23,992
Total Current Liabilities (Payable	<u>72,270</u>	<u>85,024</u>	<u>9,240</u>	<u>166,534</u>
From Restricted Assets)				
Long-Term Liabilities:				
Revenue Bonds Payable	-	1,142,956	539,131	1,682,087
Total Long-Term Liabilities	<u>-</u>	<u>1,142,956</u>	<u>539,131</u>	<u>1,682,087</u>
Total Liabilities	<u>115,402</u>	<u>1,240,334</u>	<u>568,360</u>	<u>1,924,096</u>
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	190,693	(199,784)	2,196,971	2,187,880
Restricted for Capital Activity and				
Debt Service	3,746	55,530	7,980	67,256
Unrestricted	893,539	351,433	607,448	1,852,420
Total Net Assets	<u>1,087,978</u>	<u>207,179</u>	<u>2,812,399</u>	<u>4,107,556</u>
Total Liabilities and Net Assets	<u>\$ 1,203,380</u>	<u>\$ 1,447,513</u>	<u>\$ 3,380,759</u>	<u>\$ 6,031,652</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 16

**Combining Schedule of Revenues, Expenses and Changes in Net Assets
Enterprise Funds - Utility Funds
For the Year Ended October 31, 2003**

	Gas Utility System	Water Utility System	Sewer Utility System	Total
Operating Revenues				
Gas Sales	\$ 911,641	\$ -	\$ -	\$ 911,641
Water Sales	-	332,206	-	332,206
Sewer Service Charges	-	-	351,480	351,480
Tie-Ins	550	5,550	5,100	11,200
Other	12	12	-	24
Total Operating Revenues	912,203	337,768	356,580	1,606,551
Operating Expenses				
Administrative	12,604	3,995	9,000	25,599
Bad Debts	2,935	9,707	4,536	17,178
Chemicals	-	8,468	-	8,468
Depreciation	26,061	75,191	236,180	337,432
Drug Program	2,430	-	-	2,430
Education	100	-	-	100
Employee Benefits	33,115	27,699	31,976	92,790
Fuel	2,928	1,058	1,759	5,745
Gas Purchases	597,201	-	-	597,201
Insurance	48,529	48,529	78,529	175,587
Meter Reading	10,849	10,849	-	21,698
Repairs & Maintenance	-	20	22,089	22,109
Salaries	97,922	71,132	80,770	249,824
Supplies	19,752	30,982	33,551	84,285
Utilities	-	29,319	61,014	90,333
Other	2,256	6,200	29,309	37,765
Total Operating Expenses	856,682	323,149	588,713	1,768,544
Operating Income (Loss)	55,521	14,619	(232,133)	(161,993)
Nonoperating Revenues (Expenses)				
Interest Income	29,250	13,450	16,578	59,278
Unrealized Gain (Loss)	(13,402)	(5,474)	(6,201)	(25,077)
Interest Expense	-	(59,395)	(31,423)	(90,818)
Total Nonoperating Revenues (Expenses)	15,848	(51,419)	(21,046)	(56,617)

(Continued)

The accompanying notes are an integral part of these statements.

Town of Franklinton

Schedule 16

Combining Schedule of Revenues, Expenses and Changes in Net Assets
Enterprise Funds - Utility Funds
For the Year Ended October 31, 2003

	Gas Utility System	Water Utility System	Sewer Utility System	Total
Operating Transfers In (Out)				
Operating Transfer In	\$ -	\$ -	\$ 8,014	\$ 8,014
Operating Transfer Out	(60,000)	(10,000)	(91,000)	(161,000)
Total Operating Transfers In (Out)	<u>(60,000)</u>	<u>(10,000)</u>	<u>(82,986)</u>	<u>(152,986)</u>
Change in Net Assets	11,369	(46,800)	(336,165)	(371,596)
Net Assets, Beginning of Year				
Before Prior Period Adjustment	1,078,206	248,956	3,151,990	4,479,152
Prior Period Adjustment	<u>(1,597)</u>	<u>5,023</u>	<u>(3,426)</u>	<u>-</u>
Net Assets, Beginning of Year				
After Prior Period Adjustment	<u>1,076,609</u>	<u>253,979</u>	<u>3,148,564</u>	<u>4,479,152</u>
Net Assets, End of Year	<u>\$ 1,087,978</u>	<u>\$ 207,179</u>	<u>\$ 2,812,399</u>	<u>\$ 4,107,556</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 17

**Combining Schedule of Cash Flows
Enterprise Funds - Utility Funds
For the Year Ended October 31, 2003**

	Gas Utility System	Water Utility System	Sewer Utility System	Total
Cash Flows From Operating Activities				
Received From Customers	\$ 906,503	\$ 339,799	\$ 352,879	\$ 1,599,181
Received (Paid) for Meter Deposit Fees	6,345	7,268	-	13,613
Receipts (Payments) for Interfund Services	-	-	(1,050)	(1,050)
Cash Payments for Operations	(742,623)	(176,496)	(290,489)	(1,209,608)
Cash Payments to Employees	(98,183)	(73,272)	(80,740)	(252,195)
Net Cash Provided (Used) by Operating Activities	72,042	97,299	(19,400)	149,941
Cash Flows From Noncapital Financing Activities				
Transfers From (To) Other Funds	(60,000)	(10,000)	(82,986)	(152,986)
Net Cash Provided by Noncapital Financing Activities	(60,000)	(10,000)	(82,986)	(152,986)
Cash Flows From Capital and Related Financing Activities				
Paid for Capital Acquisitions	-	(4,023)	(6,058)	(10,081)
Principal Payments - Long Term Debt	-	(14,024)	(106,483)	(120,507)
Interest Payments - Long Term Debt	-	(59,395)	(31,423)	(90,818)
Net Cash (Used) by Capital and Related Financing Activities	-	(77,442)	(143,964)	(221,406)
Cash Flows From Investing Activities				
Change in Investments	(26,215)	(11,389)	(12,923)	(50,527)
Receipts of Interest	29,250	13,450	16,578	59,278
Net Cash Provided by Investing Activities	3,035	2,061	3,655	8,751
Net Cash Increase (Decrease)	15,077	11,918	(242,695)	(215,700)
Cash, Beginning of Year	235,448	132,685	473,512	841,645
Cash, End of Year	\$ 250,525	\$ 144,603	\$ 230,817	\$ 625,945
Reconciliation of Cash Accounts:				
Unrestricted Cash	\$ 174,509	\$ 18,801	\$ 222,837	\$ 416,147
Restricted Cash	76,016	125,802	7,980	209,798
	\$ 250,525	\$ 144,603	\$ 230,817	\$ 625,945

The accompanying notes are an integral part of these statements.

Town of Franklinton

Schedule 17

**Combining Schedule of Cash Flows
Enterprise Funds - Utility Funds
For the Year Ended October 31, 2003**

	<u>Gas Utility System</u>	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 55,521	\$ 14,619	\$ (232,131)	\$ (161,991)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	26,061	75,191	236,180	337,432
Change in Accounts Receivable	(8,666)	2,787	(2,178)	(8,057)
Change in Unbilled Receivable	2,966	(756)	(1,523)	687
Change in Inventory	(14,234)	-	-	(14,234)
Change in Bond Issue Cost	-	-	276	276
Change in Accounts Payable	4,310	330	(19,004)	(14,364)
Change in Compensated Absences	72	(101)	527	498
Change in Accrued Salaries Payable	(3,458)	(2,605)	(2,025)	(8,088)
Change in Accrued Expenses	3,125	566	1,528	5,219
Change in Due From Other Funds	-	-	(1,050)	(1,050)
Change in Customer Deposits	6,345	7,268	-	13,613
Net Cash Provided (Used) by Operating Activities	<u>\$ 72,042</u>	<u>\$ 97,299</u>	<u>\$ (19,400)</u>	<u>\$ 149,941</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 18

Schedule of Revenues, Expenses, and Changes in Net Assets
 Budget (GAAP Basis) and Actual
 Enterprise Fund - Gas Utility System
 For the Year Ended October 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Gas Sales	\$ 812,000	\$ 911,641	\$ 99,641
Tie-Ins	-	550	550
Other	-	12	12
Total Operating Revenues	<u>812,000</u>	<u>912,203</u>	<u>100,203</u>
Operating Expenses			
Administrative	12,400	12,604	(204)
Bad Debt	1,000	2,935	(1,935)
Depreciation	30,000	26,061	3,939
Drug Program	2,600	2,430	170
Education	700	100	600
Employee Benefits	27,000	33,115	(6,115)
Fuel	3,000	2,928	72
Gas Purchases	560,000	597,201	(37,201)
Insurance	51,000	48,529	2,471
Meter Reading	10,800	10,849	(49)
Salaries	105,000	97,922	7,078
Supplies	21,000	19,752	1,248
Other	2,500	2,256	244
Total Operating Expenses	<u>827,000</u>	<u>856,682</u>	<u>(29,682)</u>
Operating Income (Loss)	<u>(15,000)</u>	<u>55,521</u>	<u>70,521</u>
Nonoperating Revenues (Expenses)			
Interest Income	25,000	29,250	4,250
Unrealized Gain (Loss)	-	(13,402)	(13,402)
Total Nonoperating Revenues (Expenses)	<u>25,000</u>	<u>15,848</u>	<u>(9,152)</u>
Operating Transfers In (Out)			
Operating Transfers Out	<u>(75,000)</u>	<u>(60,000)</u>	<u>15,000</u>
Total Operating Transfers In (Out)	<u>(75,000)</u>	<u>(60,000)</u>	<u>15,000</u>
Change in Net Assets	<u>(65,000)</u>	<u>11,369</u>	<u>76,369</u>
Net Assets, Beginning of Year			
Before Prior Period Adjustment	1,078,206	1,078,206	-
Prior Period Adjustment	<u>(1,597)</u>	<u>(1,597)</u>	<u>-</u>
Net Assets, Beginning of Year			
After Prior Period Adjustment	<u>1,076,609</u>	<u>1,076,609</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,011,609</u>	<u>\$ 1,087,978</u>	<u>\$ 76,369</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 19

**Schedule of Revenues, Expenses, and Changes in Net Assets
Budget (GAAP Basis) and Actual
Enterprise Fund - Water Utility System
For the Year Ended October 31, 2003**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	\$ 343,500	\$ 332,206	\$ (11,294)
Tie-Ins	5,500	5,550	50
Other	-	12	12
Total Operating Revenues	<u>349,000</u>	<u>337,768</u>	<u>(11,232)</u>
Operating Expenses			
Administrative	4,000	3,995	5
Bad Debt	1,000	9,707	(8,707)
Chemicals	9,000	8,468	532
Depreciation	87,400	75,191	12,209
Employee Benefits	21,400	27,699	(6,299)
Fuel	1,300	1,058	242
Insurance	50,500	48,529	1,971
Meter Reading	10,800	10,849	(49)
Repairs & Maintenance	4,000	20	3,980
Salaries	50,000	71,132	(21,132)
Supplies	26,000	30,982	(4,982)
Utilities	26,500	29,319	(2,819)
Other	1,700	6,200	(4,500)
Total Operating Expenses	<u>293,600</u>	<u>323,149</u>	<u>(29,549)</u>
Operating Income (Loss)	<u>55,400</u>	<u>14,619</u>	<u>(40,781)</u>
Nonoperating Revenues (Expenses)			
Interest Expense	(58,600)	(59,395)	(795)
Interest Income	25,000	13,450	(11,550)
Unrealized Gain (Loss)	-	(5,474)	(5,474)
Total Nonoperating Revenues (Expenses)	<u>(33,600)</u>	<u>(51,419)</u>	<u>(17,819)</u>
Operating Transfers In (Out)			
Operating Transfers Out	(10,000)	(10,000)	-
Total Operating Transfers Out	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Change in Net Assets	11,800	(46,800)	(58,600)
Net Assets, Beginning of Year			
Before Prior Period Adjustment	248,956	248,956	-
Prior Period Adjustment	5,023	5,023	-
Net Assets, Beginning of Year	<u>253,979</u>	<u>253,979</u>	<u>-</u>
After Prior Period Adjustment	253,979	253,979	-
Net Assets, End of Year	<u>\$ 265,779</u>	<u>\$ 207,179</u>	<u>\$ (58,600)</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 20

Schedule of Revenues, Expenses, and Changes in Net Assets
 Budget (GAAP Basis) and Actual
 Enterprise Fund - Sewer Utility System
 For the Year Ended October 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer Service Charges	\$ 350,085	\$ 351,480	\$ 1,395
Tie-Ins	5,500	5,100	(400)
Total Operating Revenues	<u>355,585</u>	<u>356,580</u>	<u>995</u>
Operating Expenses			
Administrative	9,000	9,000	-
Bad Debts	1,000	4,536	(3,536)
Depreciation	145,000	236,180	(91,180)
Employee Benefits	20,100	31,976	(11,876)
Fuel	1,500	1,759	(259)
Insurance	80,000	78,529	1,471
Repairs & Maintenance	10,000	22,089	(12,089)
Salaries	80,000	80,770	(770)
Supplies	56,000	33,551	22,449
Utilities	59,000	61,014	(2,014)
Other	21,300	29,309	(8,009)
Total Operating Expenses	<u>482,900</u>	<u>588,713</u>	<u>(105,813)</u>
Operating Income (Loss)	<u>(127,315)</u>	<u>(232,133)</u>	<u>(104,818)</u>
Nonoperating Revenues (Expenses)			
Interest Income	25,000	16,578	(8,422)
Interest Expense	(30,000)	(31,423)	(1,423)
Unrealized Gain (Loss)	-	(6,201)	(6,201)
Total Nonoperating Revenues (Expenses)	<u>(5,000)</u>	<u>(21,046)</u>	<u>(16,046)</u>
Operating Transfers In (Out)			
Operating Transfers In	-	8,014	8,014
Operating Transfers Out	-	(91,000)	(91,000)
Total Operating Transfers In (Out)	<u>-</u>	<u>(82,986)</u>	<u>(82,986)</u>
Change in Net Assets	<u>(132,315)</u>	<u>(336,165)</u>	<u>(203,850)</u>
Net Assets, Beginning of Year			
Before Prior Period Adjustment	3,151,990	3,151,990	-
Prior Period Adjustment	<u>(3,426)</u>	<u>(3,426)</u>	<u>-</u>
Net Assets, Beginning of Year			
After Prior Period Adjustment	<u>3,148,564</u>	<u>3,148,564</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 3,016,249</u>	<u>\$ 2,812,399</u>	<u>\$ (203,850)</u>

The accompanying notes are an integral part of these statements.

Town of Franklinton, Louisiana

Schedule 21

**Schedule of Gas, Water and Sewer Rates
Enterprise Funds
For the Year Ended October 31, 2003**

Gas Residential Rates

Gas Commercial Rates

\$5.50 - First 500 Cubic Feet \$.835 - Per 100 Cubic Feet for Next 3,500 Cubic Feet \$.791 - Per 100 Cubic Feet for Next 16,000 Cubic Feet \$.747 - Per 100 Cubic Feet for all over 20,000 Cubic Feet	\$6.00 - First 500 Cubic Feet \$.860 - Per 100 Cubic Feet for Next 9,500 Cubic Feet \$.800 - Per 100 Cubic Feet for Next 30,000 Cubic Feet \$.760 - Per 100 Cubic Feet for all over 40,000 Cubic Feet
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Gas Industrial Rates

Base Price Per MCF Plus 67%.

Water Rates Inside Town Limits

Water Rates Outside Town Limits

\$9.00 - First 3,000 Gallons \$1.00 - Per 1,000 Gallons for all over 3,000 Gallons	\$16.00 - First 3,000 Gallons \$1.00 - Per 1,000 Gallons for all over 3,000 Gallons
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Sewer Residential Rates

Sewer Commercial Rates

\$10.00 - First 5,000 Gallons of Water \$2.00 - Per 1,000 Gallons of Water over 5,000 Gallons	\$14.00 - First 5,000 Gallons of Water \$2.00 - Per 1,000 Gallons of Water over 5,000 Gallons
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**Schedule of Number of Customers
Enterprise Funds
For the Year Ended October 31, 2003**

Gas Customers	Water Customers	Sewer Customers
Residential	Residential	Residential
869	1,196	1,141
Commercial	Commercial	Commercial
171	288	336
Industrial	Total Water Customers	Total Sewer Customers
2	1,484	1,477
Total Gas Customers 1,042		

The accompanying notes are an integral part of these statements.

**Town of Franklinton
Franklinton, Louisiana**

Schedule 22

**Schedule of Insurance
For the Year Ended October 31, 2003**

Insurance Company	Coverage	Amount	Period
Lexington Insurance Company Policy Number 6500220	Commercial General Liability:		04/04/03-
	Each Occurrence	\$ 1,000,000	04/04/04
	Fire Damage (any one fire)	100,000	
	Medical Expenses (per person)	5,000	
	Personal & Advertising Injury	1,000,000	
	General Aggregate	2,000,000	
	Products-Compl Op Aggregate	1,000,000	
Great American Insurance Company Policy Number IMP 199 10 52	Inland Marine:		04/04/03-
	Transmitting Equipment	20,000	04/04/04
	Grade All Ditch Cleaner	10,000	
	Warner Swassey Grade All	60,000	
Old Republic Insurance Company Policy Number PR 1491403	Airport Liability:		02/19/03-
	Products Aggregate Limit	1,000,000	02/19/04
	Personal Injury Aggregate Limit	1,000,000	
	Malpractice Aggregate Limit	1,000,000	
	Each Occurrence Limit	1,000,000	
	Fire Damage, Any One Fire	50,000	
Columbia Casualty Insurance Company Policy # 223667607	Law Enforcement Liability		04/04/03-
	(Negligence, Errors, and Omissions):		04/04/04
	Annual Aggregate	1,000,000	
	Each Wrongful Act	1,000,000	
Columbia Casualty Insurance Company Policy # 223667803	Public Officials Errors and Omissions Liability:		04/04/03-
	Annual Aggregate	1,000,000	04/04/04
	Each Claim Limit	1,000,000	
	Deductible	5,000	
Clarendon Insurance Company Policy # DSA007972	Commercial Automobile:		04/04/03-
	Combined Liability Limit	1,000,000	04/04/04
	Limit Bodily Injury (per person)	300,000	
	Limit Prop. Damage (per incident)	50,000	
	Comprehensive Deductible	500	
Louisiana Workers Comp Corporation Policy Number LWCC 72437	Workers Compensation at Statutory Limits:		11/15/02-
	Employers Liab. (each accident)	100,000	11/15/03
	Employers Liab. (each employee)	100,000	
	Disease, Policy Limit	500,000	
Western Surety Company Policy Number (Various)	Bond:		Various
	Law Enforcement Officers (each)	5,000	
Hartford Life Insurance Company Policy Number 43VP95502	Group Accident:		02/19/03-
	Franklinton Fire Department	100,000	02/19/04

**Town of Franklinton
Franklinton, Louisiana**

**Supplemental Information Schedules
For the Year Ended October 31, 2003**

COMPENSATION PAID BOARD MEMBERS

The Schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

**EXPENDITURES OF FEDERAL AWARDS
AND AUDIT FINDINGS RESOLUTION**

In accordance with *Governmental Auditing Standards*, schedules of expenditures of federal awards, follow up and corrective action taken on prior year audit findings, and corrective action plan for current year findings are presented.

**Town of Franklinton
Franklinton, Louisiana**

Schedule 23

**Schedule of Compensation Paid Board Members
For the Year Ended October 31, 2003**

Earle Brown, Mayor 1109 Lynnwood Franklinton, LA 70438 (985) 839-2175	\$ 11,600
John L. Daniel, Alderman 312 11 th Avenue Franklinton, LA 70438 (985) 839-2382	6,000
Florence R. Manning, Alderwoman P.O. Box 684 Franklinton, LA 70438 (985) 839-4291	6,000
T. J. Butler, Alderman 727 18 th Avenue Franklinton, LA 70438 (985) 839-3436	6,000
Wayne Flemming, Alderman 1533 Lee Street Franklinton, LA 70438 (985) 839-0173	6,000
William Durden, Alderman 820 11 th Avenue Franklinton, LA 70438 (985) 839-4413	6,000
	<u>\$ 41,600</u>

Terms end December 31, 2004 for board members.

Town of Franklinton

Schedule 24

**Schedule of Expenditure of Federal Awards
For the Year Ended October 31, 2003**

Federal Grantor, Pass-Through Grantor, Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>United States Department of Transportation</u>			
Formula Grants for other than Urbanized Areas	20.509	LA-18-X020	\$ 124,944
Passed through to the Washington Parish Council on Aging, Inc., from the Louisiana Department of Transportation and Development	20.509	LA-18-X021	75,433
Job Access and Reverse Commute Program	20.516	LA-37-007	60,594
Passed through to the Washington Parish Council on Aging, Inc., from the Louisiana Department of Transportation and Development	20.516	LA-37-009	12,831
Total United States Department of Transportation			273,802
<u>United States Department of Health and Human Services</u>			
Temporary Assistance for Needy Families	93.558		73,625
Passed through to the Washington Parish Council on Aging, Inc., from Louisiana Department of Social Services, Office of Family Support			
<u>United States Department of Housing and Urban Development</u>			
Community Development Block Grants/Small Cities, Passed Through State Division of Administration: FY 2002 LCDBG Street Reconstruction Project	14.219	CFMS 599783	35,470
<u>United States Department of Justice</u>			
Bureau of Justice Assistance: Local Law Enforcement Block Grant	16.592	2002-LB-BX-1835	12,104
Total Expenditures of Federal Awards			\$ 395,001

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town and is presented on the modified accrual basis of accounting. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the governmental fund financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the Town provided federal awards to Subrecipients as follows:

Cluster/Program Title	Federal CFDA Number	Amount Provided Subrecipients
Formula Grants for other than Urbanized Areas:	20.509	\$ 200,377
Job Access and Reverse Commute Program	20.516	73,425
Temporary Assistance for Needy Families	93.558	73,625
Total		\$ 347,427

The accompanying notes are an integral part of these statements.

**Town of Franklinton
Franklinton, Louisiana**

Schedule 25

**Summary Schedule of Prior Year Audit Findings
For the Year Ended October 31, 2003**

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

Reference Number: 2002-C1:

Fiscal Year Finding Occurred: Ending 10/31/02

Description of Finding:

At October 31, 2002, bank accounts at one financial institution were under collateralized by \$5,067. We recommended that the Town of Franklinton immediately contact the financial institution to ensure that collateral is pledged for all accounts that exceed FDIC coverage of \$100,000.

The Town responded to the above finding by contacting the financial institution to let them know that collateral must be pledged above FDIC limits of \$100,000.

At October 31, 2003, bank accounts were still under collateralized by \$5,067. We recommend that the Town once again notify the financial institution to let them know that proper collateralization is required by State law, and that the Town take proper steps to ensure that deposits are collateralized.

Corrective Action Taken: Partial

Description of Corrective Action Taken:

Corrective Action is listed as partial until the financial institution complies with statutory requirements.

Reference Number: 2002-C2:

Fiscal Year Finding Occurred: Ending 10/31/02

Description of Finding:

During the fiscal year ending October 31, 2002, we noted that the Town did not follow proper bid procedures for the purchase of \$9,500 in software for the police department. Political subdivisions must procure data processing equipment, hardware and software including maintenance thereof, through the bid process detailed in Louisiana Revised Statutes 38:2211 or through a request for proposals method in Revised Statutes 38:2234-2237. We recommend that all future purchases for software be in accordance with state bid law.

Management notified the police department of requirements for the bid of software, and will monitor future purchases

For the fiscal year ending October 31, 2003, no findings were noted in the test of purchases subject to bid law.

Corrective Action Taken: Final

(Continued)

**Town of Franklinton
Franklinton, Louisiana**

Schedule 25

**Summary Schedule of Prior Year Audit Findings
For the Year Ended October 31, 2003**

Reference Number: 2002C-3

Fiscal Year Finding Occurred: Ending 10/31/02

Description of Finding:

The Town of Franklinton is required to comply with certain budget requirements set forth in LSA R.S. 39:1310 (Louisiana Local Budget Government Act). The Act contains various budget requirements for the General Fund and special revenue funds of political subdivisions of the state. The Act, in addition to requirements for public notification and disclosure, requires that budgets be amended when:

- 1) Total revenues or other sources plus projected revenue and other sources for the remainder of the year are failing to meet total budgeted expenditures and other sources by five percent or more.
- 2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more,
- 3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

For the fiscal year ended October 31, 2002, actual expenditures of the General Fund exceeded budgeted expenditures by \$166,283, and actual expenditures of the Police Ad Valorem Fund exceeded the final budget by \$3,400. State law requires budget amendment when actual expenditures exceed approved budget by more than 5%. We recommended that budgets be amended as required. We also recommended that operating transfers be budgeted, as required, for both bond repayment and for construction, and that the Sales Tax Construction fund be maintained on a current basis within the Town's general ledger system.

The Town complied to the recommendations for the prior fiscal year. However, for the fiscal year ending October 31, 2003, within the Street Ad valorem Fund, actual expenditures (\$55,091) exceeded budgeted expenditures (\$8,000) by \$47,091. The expenditure over the approved budget for the Street Ad valorem Fund appears to have occurred because of a clerical error in the approved amended budget. Budget documents showed a decrease of \$81,000 in the final approved amended budget. With no change in the budget for expenditures, there would have been a favorable variance. For the Economic Development Sales Tax Fund, there was a deficit fund balance of \$19,911 at October 31, 2003. The Town plans to accumulate sales tax funds in the current fiscal year to eliminate the fund balance deficit.

We recommend that the Town of Franklinton comply with requirements of the Louisiana Local Government Budget, more closely monitoring budget compliance on a monthly basis.

Corrective Action Taken: Partial

Description of Corrective Action Taken:

Corrective Action is listed as partial since budget variances also occurred in the fiscal year ending October 31, 2003.

(Continued)

**Town of Franklinton
Franklinton, Louisiana**

Schedule 25

**Summary Schedule of Prior Year Audit Findings
For the Year Ended October 31, 2003**

Section II-Internal Control and Compliance Material to Federal Awards

No Findings for Section II.

Section III - Management Letter

No Findings for Section III.

(Concluded)

**Town of Franklinton
Franklinton, Louisiana**

Schedule 26

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended October 31, 2003**

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

Reference Number: 2003C-1

Description of Findings:

During the fiscal year ending October 31, 2003, the Town of Franklinton recorded a loss (a negative change in net assets) of \$46,800 for the water utility system, and \$336,165 for the sewer utility system. Part of the loss for these funds related to the allocation of insurance premiums and for the sewer system, operating transfers out of \$90,000. However, as a condition of bond rate covenants, the Town is required to maintain rates at a level necessary to cover the costs of operation and to properly fund bond sinking and reserve and depreciation fund deposit requirements. The Town was in compliance with bond sinking fund and reserve and depreciation fund deposit requirements for the fiscal year, but we recommend that the Town increase its rates for water and sewer to cover the costs of operation.

Corrective Action Planned (Response by Management):

Effective November 1, 2003, the board of aldermen adopted Ordinance No. 917, increasing water and sewer rates. The Town will continue to monitor the adequacy of the rate structure and the level of revenue and expenses to reduce the operating loss.

Anticipated Completion Date: We have complied to this recommendation.

Contact Person: Earle Brown, Mayor, Town of Franklinton, (985) 839-3560.

Section II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II.

Section III - Management Letter

Reference Number: 2003M-1

Description of Findings:

As with most local governments, the Town of Franklinton has experienced significant increases in insurance costs. We noted during the financial audit for the current fiscal year that insurance costs are often paid and recorded per fund based on the availability of funds. We recommend that insurance costs be properly allocated per fund in order that the cost of operations is properly stated per fund. In particular, the Worker's Compensation policy provides documentation that allows proper allocation of employee costs per department. Since some of the major coverages are included in a package policy, it may be necessary to obtain additional information from the insurance provider to properly allocate costs per fund.

(Continued)

**Town of Franklinton
Franklinton, Louisiana**

Schedule 26

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended October 31, 2003**

Corrective Action Planned (Response by Management):

We have reviewed this matter and are developing a plan for equitable distribution of insurance costs per fund.

Anticipated Completion Date: We anticipate compliance to this recommendation during the second quarter of 2004.

Contact Person: Earle Brown, Mayor, Town of Franklinton, (985) 839-3560.

Reference Number: 2003M-2

Description of Findings:

At fiscal year-end, the Town of Franklinton reviewed past due accounts receivable for the Utility Fund, writing off old accounts. However, at October 31, 2003, after the write-off there was a total of \$18,333 over 60 days past due. We recommend that the aged receivables listing be reviewed on a monthly basis to determine accounts that are uncollectible, that a reasonable allowance be determined for uncollectible accounts, and that the Town take appropriate action for collection of past due accounts.

Corrective Action Planned (Response by Management):

We have reviewed our aged receivables listing and will increase efforts to reduce the total amounts past due.

Anticipated Completion Date: We will review this matter immediately.

Contact Person: Earle Brown, Mayor, Town of Franklinton, (985) 839-3560.

Reference Number: 2003M-3

Description of Findings:

During the past two years, the Town of Franklinton has taken significant steps to improve the inventory and reporting of capital assets for its governmental activities, partly to comply with financial reporting requirements under Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34). In addition, a depreciation listing has been updated and maintained for the utility funds. However, the listings for the utility funds do not, in many cases, include adequate descriptions of capital assets. We recommend that the Town re-inventory the capital assets of the utility funds, and where possible, expand the detail and description of assets included on the depreciation listing.

(Continued)

**Town of Franklinton
Franklinton, Louisiana**

Schedule 26

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended October 31, 2003**

Corrective Action Planned (Response by Management):

We will expand our work on reporting capital assets and update the depreciation listing for the utility fund.

Anticipated Completion Date: We anticipate completion by the end of the current fiscal year.

Contact Person: Earle Brown, Mayor, Town of Franklinton, (985) 839-3560.

(Concluded)

**Town of Franklinton
Franklinton, Louisiana**

Schedule 27

**Schedule of Findings and Questioned Costs
For the Year Ended October 31, 2003**

I. Type of Report Issued on the Financial Statements.

A unqualified opinion was issued on the financial statements for the Town of Franklinton.

II. Disclosure of Reportable Conditions in Internal Control.

There were no Reportable Conditions in Internal Controls required to be reported in accordance with *Governmental Auditing Standards*.

III. Disclosure of noncompliance material to the financial statements.

The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying *Summary Schedule of Prior Year Audit Findings* as Reference Numbers 2002-C1, and 2002-C3, and within the *Corrective Action Plan for Current Year Audit Findings* as Reference Number 2003-C1. We consider none of the findings to be material weaknesses.

IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.

There were no Reportable Conditions for Major Programs of the Town of Franklinton which are required to be reported in accordance with *Governmental Auditing Standards*.

V. Type of Report Issued for Major Programs.

Unqualified.

VI. Disclosure of Audit Findings Required to be Reported under S___ .510 Audit Findings.

There were no audit findings required to be reported under S___ .510 Audit Findings.

VII. Identification of Major Programs.

The Major Program identified for the Town of Franklinton, for the fiscal year ending October 31, 2003, was the U.S. Department of Transportation Formula Grants for Other than Urbanized Areas (CFDA # 20.509).

VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" programs.

Expenditures of \$300,000.

(Continued)

**Town of Franklinton
Franklinton, Louisiana**

Schedule 27

**Schedule of Findings and Questioned Costs
For the Year Ended October 31, 2003**

IX. Statement as to Whether the Auditee qualified as Low-Risk Auditee under S ____.530.

Yes. The Town of Franklinton qualified as a low-risk auditee under the provisions of S ____.530.

X. Findings which must be Reported in accordance with GAGAS.

Findings were disclosed within the *Summary Schedule of Prior Year Audit Findings* as Reference Numbers 2002-C1, and 2002-C3, and within the *Corrective Action Plan for Current Year Audit Findings* as Reference Number 2003-C1.

(Concluded)

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Dale H. Jones, CPA
Charles P. Hebert, CPA
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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

To the Honorable Mayor, Earle R. Brown
and Board of Aldermen
Town of Franklinton, Louisiana

We have audited the basic financial statements of the Town of Franklinton, Louisiana, as of and for the year ended October 31, 2003, and have issued our report thereon dated February 5, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Franklinton, Louisiana'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 objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain immaterial instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying *Summary Schedule of Prior Year Audit Findings* as Reference Numbers 2002-C1, and 2002-C3, and within the *Corrective Action Plan for Current Year Audit Findings* as Reference Number 2003-C1.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered the Town of Franklinton, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor, Earle Brown
Town of Franklinton

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This report is intended for the information of management, the Legislative Auditor and the Cognizant Federal Agency. However, this report is a matter of public record and its distribution is not limited.


Bruce Harrell and Company, CPAs
A Professional Accounting Corporation

February 5, 2004

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

The Honorable Mayor, Earle R. Brown
And Board of Aldermen
Town of Franklinton, Louisiana

Compliance

We have audited the compliance of the Town of Franklinton, 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 its major federal program for the year ended October 31, 2003. The Town of Franklinton's major federal program is identified in 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 Franklinton's management. Our responsibility is to express an opinion on the Town of Franklinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing 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 the 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 of Franklinton'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 on the Town of Franklinton's compliance with those requirements.

In our opinion, the Town of Franklinton 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 October 31, 2003.

Internal Control Over Compliance

The management of the Town of Franklinton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Franklinton'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.

BRUCE HARRELL & CO.
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The Honorable Mayor, Earle Brown
Town of Franklinton

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. 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 a material weakness.

This report is intended for the information of management, the Legislative Auditor, and the Federal Cognizant Agent. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs
A Professional Accounting Corporation

February 5, 2004