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Town of Ferriday, Louisiana

Annual Financial Statements

As of June 30, 2004 and for the Year then Ended

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

Release Date 2-16-05

JERI SUE TOSSPON
Certified Public Accountant

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Town of Ferriday, Louisiana

Annual Financial Statements

As of June 30, 2004 and for the Year then Ended

**Town of Ferriday, Louisiana
Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules**

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Section I

Required Supplemental Information

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

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

FINANCIAL HIGHLIGHTS

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

1. The beginning cash balance for the Town of Ferriday was \$1,136,457. The ending cash balance was \$740,237.
2. The governmental activities had \$2,289,265 in revenues, which primarily consisted of sales taxes, property taxes, occupational license taxes, franchise taxes and fines. There were \$2,536,924 in governmental expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 10-16 of this report.

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$3,109,928 as of June 30, 2004.

Net Assets for the period ending June 30, 2004

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however the town looks forward to offering comparative data in the future.

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Current Assets	\$ 476,779	\$ 460,624	\$ 937,403
Noncurrent Assets	<u>1,163,034</u>	<u>7,070,150</u>	<u>8,233,184</u>
Total Assets	<u>1,639,813</u>	<u>7,530,774</u>	<u>9,170,587</u>
Current Liabilities	446,997	480,300	927,297
Noncurrent Liabilities	<u>2,028,717</u>	<u>3,104,645</u>	<u>5,133,362</u>
Total Liabilities	<u>2,475,714</u>	<u>3,584,945</u>	<u>6,060,659</u>
Net Assets			
Investment in capital assets, net of related debt	928,669	3,965,505	4,894,174
Unrestricted (deficit)	<u>(1,764,570)</u>	<u>(19,676)</u>	<u>(1,784,246)</u>
Total Net Assets (deficit)	<u>\$ (835,901)</u>	<u>\$ 3,945,829</u>	<u>\$ 3,109,928</u>

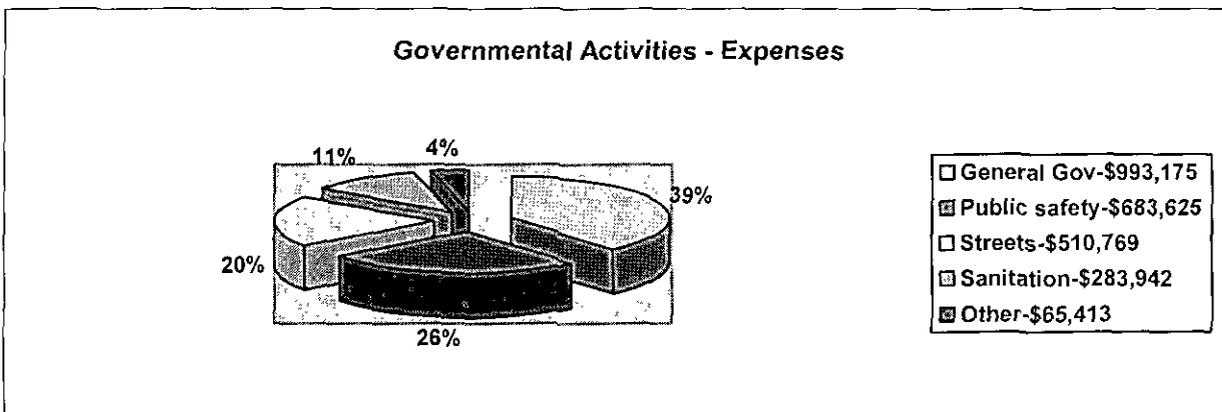
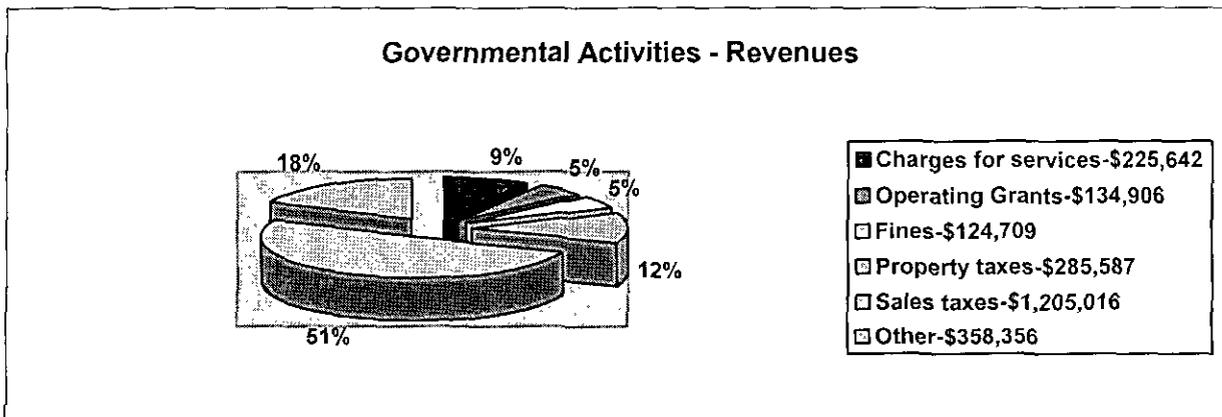
The following is a summary of the statement of activities:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Revenues			
Program revenues	\$ 2,334,216	\$ 1,435,152	\$ 3,769,368
Transfers	<u>(44,951)</u>	<u>44,951</u>	<u>-</u>
Total revenues and transfers	<u>2,289,265</u>	<u>1,480,103</u>	<u>3,769,368</u>

TOWN OF FERRIDAY, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2004

	Governmental Activities	Business Type Activities	Total
Expenses:			
General and administrative	\$ 993,175	\$ -	\$ 993,175
Public safety	686,625	-	686,625
Streets	510,769	-	510,769
Sanitation	283,942	-	283,942
Other	1,459	-	1,459
Interest expense	63,954	-	63,954
Utility operations	-	1,288,517	1,288,517
Total expenses	<u>2,539,924</u>	<u>1,288,517</u>	<u>3,828,441</u>
Increase (decrease) in net assets	(247,659)	191,586	(56,073)
Net assets June 30, 2003	<u>(588,242)</u>	<u>3,754,243</u>	<u>3,166,001</u>
Net assets June 30, 2004	<u>\$ (835,901)</u>	<u>\$ 3,945,829</u>	<u>\$ 3,109,928</u>

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



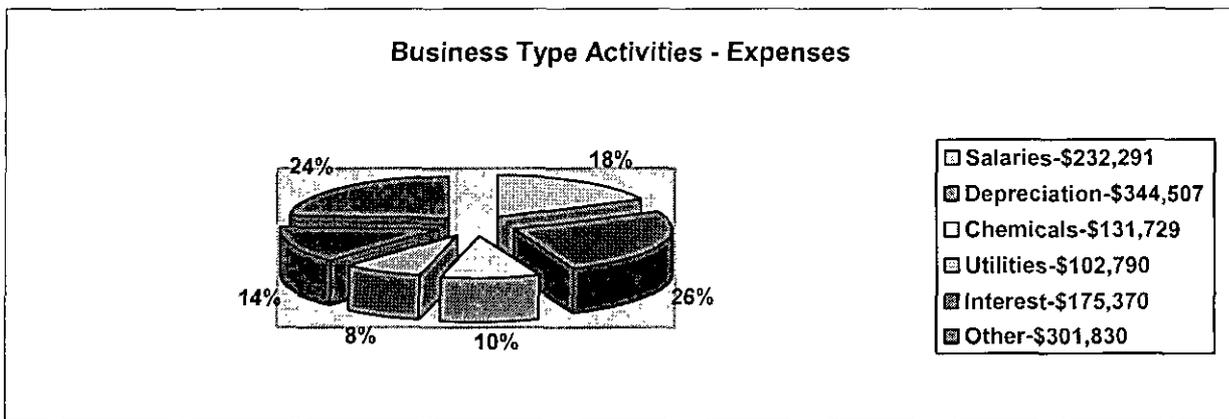
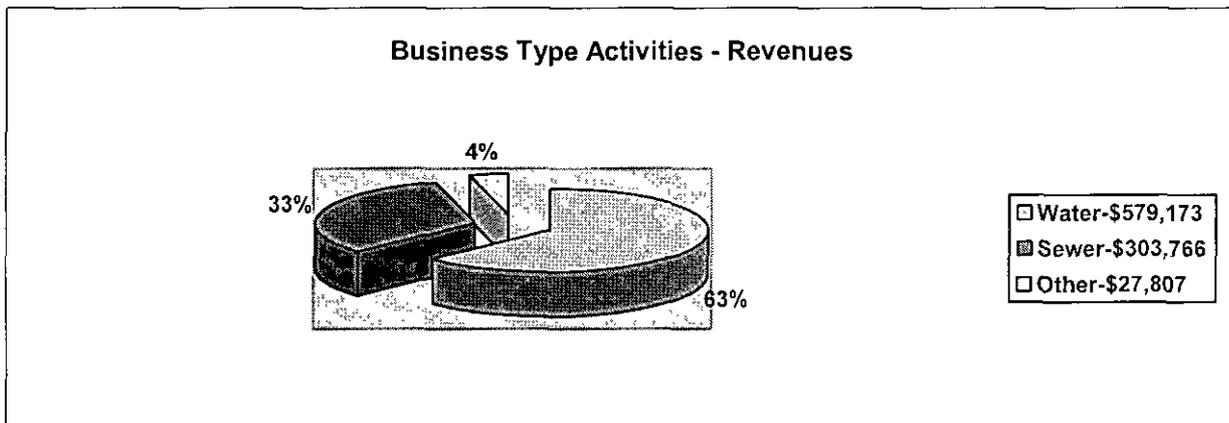
TOWN OF FERRIDAY, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2004

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

Business Type Activities

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

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



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

Comments on General Fund Comparisons

The Town's budget was not amended during the last year. The budgeted expenditures were \$2,002,177 in the budget and revenues were budgeted at \$2,080,542.

Actual expenditures exceeded the budgeted amounts by \$136,419.

TOWN OF FERRIDAY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

CAPITAL ASSETS

As of June 30, 2004, the Town had \$1,163,034 invested in capital assets in the general fund and \$7,070,150 in the proprietary fund. This year there were additions of \$11,216 in the general fund and \$554,098 in the proprietary fund. The following capital assets were purchased in 2004:

General fund:

1. Ford F-150 truck (1997)	\$ 7,800
2. Radios	<u>3,416</u>
	<u>\$ 11,216</u>

Enterprise fund:

3. Water line improvements	524,316
4. Ford F-250 truck (1997)	4,000
5. Ultra violet lights (sewer)	<u>25,782</u>
	<u>\$ 554,098</u>

REQUEST FOR INFORMATION

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

Section II

Basic Financial Statements

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INDEPENDENT AUDITOR'S REPORT

The Mayor and the Board of Alderpersons
Town of Ferriday
Ferriday, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Ferriday, as of and for the year ended June 30, 2004, 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 Ferriday's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Ferriday, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

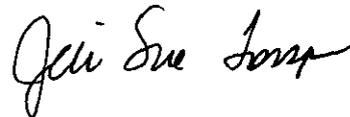
As described in Note J, the Town of Ferriday has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 19, 2005, on my consideration of the Town of Ferriday's internal control over financial reporting and on my tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management discussion and analysis and budgetary comparison information on pages 1 through 6 and 29 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



Ferriday, Louisiana

January 19, 2005

Town of Ferriday
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 426,108	\$ 6,136	\$ 432,244
Receivables (net of allowances for uncollectible amounts)	49,675	146,411	196,086
Accrued interest receivable	996	84	1,080
Restricted assets		307,993	307,993
Capital assets (net)	<u>1,163,034</u>	<u>7,070,150</u>	<u>8,233,184</u>
TOTAL ASSETS	<u>\$ 1,639,813</u>	<u>\$ 7,530,774</u>	<u>\$ 9,170,587</u>
<u>LIABILITIES</u>			
Cash overdraft	\$ 54,558		\$ 54,558
Accounts payable	192,989	\$ 153,623	346,612
Taxes payable	4,180	2,316	6,496
Accrued compensated absences	4,352	752	5,104
Customer deposits		49,557	49,557
Accrued interest	30,270	21,859	52,129
Capital leases	234,365		234,365
Notes and bonds payable			
Due within one year	165,000	302,502	467,502
Due in more than one year	<u>1,790,000</u>	<u>3,054,336</u>	<u>4,844,336</u>
TOTAL LIABILITIES	<u>\$ 2,475,714</u>	<u>\$ 3,584,945</u>	<u>\$ 6,060,659</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 928,669	\$ 3,713,311	\$ 4,641,980
Restricted for:			
Debt service	241,421	304,288	545,709
Unrestricted	<u>(2,005,991)</u>	<u>(71,770)</u>	<u>(2,077,761)</u>
TOTAL NET ASSETS	<u>\$ (835,901)</u>	<u>\$ 3,945,829</u>	<u>\$ 3,109,928</u>

See accompanying notes to the financial statements.

Town of Ferriday
Statement of Activities
For the year ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 993,175	\$ 342,202	\$ 5,665		\$ (645,308)		\$ (645,308)
Public safety	683,625	124,709	53,034		(505,882)		(505,882)
Streets	510,769				(510,769)		(510,769)
Sanitation	283,942		76,207		(207,735)		(207,735)
Other	1,459				(1,459)		(1,459)
Interest on long-term debt	63,954				(63,954)		(63,954)
Total Governmental Activities	\$ 2,536,924	\$ 466,911	\$ 134,906		\$ (1,935,107)		\$ (1,935,107)
Business-type Activities							
Utilities	\$ 1,288,517	\$ 885,836	\$ 25,000	\$ 524,316		\$ 146,635	\$ 146,635
General Revenues							
Taxes							
Property taxes					\$ 285,587		\$ 285,587
Sales taxes					1,205,016		1,205,016
Other taxes					193,215		193,215
Gain on sale of asset					8,500		8,500
Other					40,081		40,081
Transfers					(44,951)	44,951	0
Total General Revenues, Gains and Transfers					\$ 1,687,448	\$ 44,951	\$ 1,732,399
Change in Net Assets					\$ (247,659)	\$ 191,586	\$ (56,073)
Net Assets, July 1, 2003					(588,242)	3,754,243	3,166,001
Net Assets, June 30, 2004					\$ (835,901)	\$ 3,945,829	\$ 3,109,928

See accompanying notes to financial statements.

Town of Ferriday
Governmental Funds Balance Sheet
June 30, 2004

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
Cash	\$ 76,466	\$ 270,695	\$ 78,947	\$ 426,108
Accounts receivable (net where applicable of allowance for uncollectibles)				
Rehabilitaiton grants	16,114			16,114
Fees and services	30,411			30,411
Grants			3,150	3,150
Accrued interest receivable		996		996
TOTAL ASSETS	\$ 122,991	\$ 271,691	\$ 82,097	\$ 476,779
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Bank overdraft	\$ 54,558			\$ 54,558
Accounts payable	189,839		\$ 3,150	192,989
Accrued payroll taxes	4,180			4,180
Accrued compensated absences	4,352			4,352
Accrued interest		\$ 30,270		30,270
TOTAL LIABILITIES	\$ 252,929	\$ 30,270	\$ 3,150	\$ 286,349
<u>FUND BALANCES</u>				
Reserved for:				
Debt service		\$ 241,421		\$ 241,421
Unreserved, reported in:				
General fund	\$ (129,938)			(129,938)
Capital projects			\$ 78,947	78,947
TOTAL FUND BALANCES	\$ (129,938)	\$ 241,421	\$ 78,947	\$ 190,430
TOTAL LIABILITIES AND FUND BALANCES	\$ 122,991	\$ 271,691	\$ 82,097	\$ 476,779

See accompanying notes to the financial statements.

Town of Ferriday
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2004

Fund Balances - total governmental funds \$ 190,430

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 2,614,171	
Less accumulated depreciation	<u>(1,451,137)</u>	1,163,034

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

Loans for capital asset acquisition	\$ (234,365)	
General obligation bonds	(1,210,000)	
Public improvement bonds	<u>(745,000)</u>	<u>(2,189,365)</u>

Net Assets of Governmental Activities \$ (835,901)

See accompanying notes to the financial statements.

**Town of Ferriday
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the year ended June 30, 2004**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<u>REVENUES</u>				
Taxes	\$ 1,552,689	\$ 131,129		\$ 1,683,818
Licenses and permits	116,560			116,560
Intergovernmental				
Federal grants	5,665		\$ 603,673	609,338
State funds	52,307		727	53,034
Charges for services	225,642			225,642
Fines	124,709			124,709
Miscellaneous	45,554			45,554
Total Revenues	<u>\$ 2,123,126</u>	<u>\$ 131,129</u>	<u>\$ 604,400</u>	<u>\$ 2,858,655</u>
<u>EXPENDITURES</u>				
Current				
General government and administration	\$ 966,433	\$ 500		\$ 966,933
Public safety				
Police	480,756			480,756
Fire	160,051			160,051
Streets	129,127		\$ 370,247	499,374
Sanitation	207,734		76,207	283,941
Capital outlay	11,716		527,466	539,182
Debt service				
Principal		155,000		155,000
Interest		63,954		63,954
Total Expenditures	<u>\$ 1,955,817</u>	<u>\$ 219,454</u>	<u>\$ 973,920</u>	<u>\$ 3,149,191</u>
Excess(Deficit) of Revenues Over (Under) Expenditures	<u>\$ 167,309</u>	<u>\$ (88,325)</u>	<u>\$ (369,520)</u>	<u>\$ (290,536)</u>
Other Financing Sources and (Uses)				
Interest income	\$ 209	\$ 2,818		\$ 3,027
Transfers in		136,367		136,367
Transfers out	(182,779)			(182,779)
Capital leases	(17,819)			(17,819)
Total Other Financing Sources and (Uses)	<u>\$ (200,389)</u>	<u>\$ 139,185</u>		<u>\$ (61,204)</u>
Net Change in Fund Balance	<u>\$ (33,080)</u>	<u>\$ 50,860</u>	<u>\$ (369,520)</u>	<u>\$ (351,740)</u>
Fund balance - July 1, 2003	<u>(96,858)</u>	<u>190,561</u>	<u>448,467</u>	<u>542,170</u>
Fund balance - June 30, 2004	<u>\$ (129,938)</u>	<u>\$ 241,421</u>	<u>\$ 78,947</u>	<u>\$ 190,430</u>

See accompanying notes to the financial statements.

Town of Ferriday
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance
to the Statement of Activities - Governmental Funds
Governmental Funds
June 30, 2004

Net Change in Fund Balances - total governmental funds		\$ (351,740)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 11,216	
Less current year depreciation	<u>(73,716)</u>	(62,500)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		
Principal portion of capital leases	\$ 11,581	
Repayment of debt	<u>155,000</u>	<u>166,581</u>
Changes in Net Assets of Governmental Funds		<u>\$ (247,659)</u>

See accompanying notes to the financial statements.

**Town of Ferriday
Utility Enterprise Fund
Statement of Net Assets**

	Water	Sewer	Total
ASSETS			
Current Assets			
Cash (Note 3)	\$ 3,154	\$ 2,982	\$ 6,136
Accounts receivable, utility sales (Net of allowances of \$20,900 and \$7,600 respectively)	92,262	54,149	146,411
Accrued interest receivable	84		84
Total current assets	\$ 95,500	\$ 57,131	\$ 152,631
Non-Current Assets - Restricted Assets (Note 4)			
Bond Debt Service Fund	\$ 100,281	\$ 94,283	\$ 194,564
Bond Sinking Fund	176		176
Depreciation Fund	19,675	89,874	109,549
Consumer Deposits	3,704		3,704
Total non-current assets - restricted assets	\$ 123,836	\$ 184,157	\$ 307,993
Non-Current Assets - Capital Assets (Note 6)			
Property, plant and equipment	\$ 5,819,471	\$ 6,358,340	\$ 12,177,811
Less accumulated depreciation	2,549,539	2,558,122	5,107,661
Total non-current assets - capital assets	\$ 3,269,932	\$ 3,800,218	\$ 7,070,150
TOTAL ASSETS	\$ 3,489,268	\$ 4,041,506	\$ 7,530,774
LIABILITIES			
Current Liabilities (Payable from current assets)			
Accounts payable	\$ 92,826	\$ 60,797	\$ 153,623
Sales tax payable	1,819		1,819
Payroll taxes payable	175	322	497
Accrued compensated absences	752		752
Total current liabilities (payable from current assets)	\$ 95,572	\$ 61,119	\$ 156,691
Current Liabilities (Payable from restricted assets)			
Customer deposits	\$ 49,557		\$ 49,557
Notes payable, current portion (Note 7)	267,478	\$ 35,024	302,502
Accrued interest payable	19,435	2,424	21,859
Total current liabilities (payable from restricted assets)	\$ 336,470	\$ 37,448	\$ 373,918
Long Term Liabilities			
Notes payable (Note 7)	\$ 1,728,012	\$ 1,326,324	\$ 3,054,336
TOTAL LIABILITIES	\$ 2,160,054	\$ 1,424,891	\$ 3,584,945
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,274,441	\$ 2,438,870	\$ 3,713,311
Restricted for debt service	120,131	184,157	304,288
Unrestricted	(65,358)	(6,412)	(71,770)
TOTAL NET ASSETS	\$ 1,329,214	\$ 2,616,615	\$ 3,945,829

See accompanying notes to the financial statements.

Town of Ferriday
Utility Enterprise Fund
Statement of Revenues and Expenses
and Changes in Net Assets
For the year ended June 30, 2004

	Water	Sewer	Total
Operating Revenues			
Utility sales	\$ 555,708	\$ 296,104	\$ 851,812
Penalties for late payment	11,977		11,977
Tap fees	860		860
Other income	10,628	7,662	18,290
Total operating revenues	<u>\$ 579,173</u>	<u>\$ 303,766</u>	<u>\$ 882,939</u>
Operating Expenses			
Salaries	\$ 160,971	\$ 71,320	\$ 232,291
Payroll taxes	12,861	5,724	18,585
Insurance	47,324	47,324	94,648
Utilities	46,625	56,165	102,790
Chemicals and supplies	126,548	5,181	131,729
Repairs and maintenance	22,715	12,353	35,068
Consultant fees	36,855		36,855
Telephone	4,462		4,462
Truck and fuel	7,277	6,230	13,507
Office expense and postage	6,870	80	6,950
Bad debts	33,161	12,058	45,219
Depreciation	140,015	204,492	344,507
Other operating expense	29,382	17,154	46,536
Total operating expenses	<u>\$ 675,066</u>	<u>\$ 438,081</u>	<u>\$ 1,113,147</u>
Net income from operations	<u>\$ (95,893)</u>	<u>\$ (134,315)</u>	<u>\$ (230,208)</u>
Nonoperating Revenues and (Expenses)			
Interest income	\$ 1,523	\$ 1,374	\$ 2,897
State grant funds		25,000	25,000
Interest expense	(106,374)	(68,996)	(175,370)
Total nonoperating revenues and (expenses)	<u>\$ (104,851)</u>	<u>\$ (42,622)</u>	<u>\$ (147,473)</u>
Income Before Contributions and Transfers	<u>\$ (200,744)</u>	<u>\$ (176,937)</u>	<u>\$ (377,681)</u>
Capital contributions from municipality	524,316		524,316
Transfers in	12,707	32,244	44,951
Transfers out			
Change in Net Assets	<u>\$ 336,279</u>	<u>\$ (144,693)</u>	<u>\$ 191,586</u>
Total Net Assets - July 1, 2003	<u>992,935</u>	<u>2,761,308</u>	<u>3,754,243</u>
Total Net Assets - June 30, 2004	<u>\$ 1,329,214</u>	<u>\$ 2,616,615</u>	<u>\$ 3,945,829</u>

See accompanying notes to the financial statements.

**Town of Ferriday
Utility Enterprise Fund
Statement of Cash Flows
For the year ended June 30, 2004**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 558,046	\$ 269,658	\$ 827,704
Cash paid to suppliers and employees	(600,860)	(186,836)	(787,696)
Net cash provided by operating activities	<u>\$ (42,814)</u>	<u>\$ 82,822</u>	<u>\$ 40,008</u>
Cash flows from noncapital financing activities			
Transfers from other funds	\$ 12,707	\$ 32,244	\$ 44,951
Net cash provided by noncapital financing activities	<u>\$ 12,707</u>	<u>\$ 32,244</u>	<u>\$ 44,951</u>
Cash flows from capital and related financing activities			
Principal paid on notes payable	\$ (117,339)	\$ (35,941)	\$ (153,280)
Interest paid on notes payable	(109,211)	(69,252)	(178,463)
Borrowings on notes payable	150,000		150,000
State grant		25,000	25,000
Interest income	1,437	1,372	2,809
Total cash used for financing activities	<u>\$ (75,113)</u>	<u>\$ (78,821)</u>	<u>\$ (153,934)</u>
Cash flows from investing activities			
Purchase and construction of fixed assets	\$ (4,000)	\$ (25,782)	\$ (29,782)
Total cash used for investing activities	<u>\$ (4,000)</u>	<u>\$ (25,782)</u>	<u>\$ (29,782)</u>
Net increase (decrease) in cash	\$ (109,220)	\$ 10,463	\$ (98,757)
Cash at beginning of year	<u>236,209</u>	<u>176,676</u>	<u>412,885</u>
Cash at end of year	<u>\$ 126,989</u>	<u>\$ 187,139</u>	<u>\$ 314,128</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (95,893)	\$ (134,315)	\$ (230,208)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	140,015	204,492	344,507
Changes in assets and liabilities:			
Increase in accounts receivable	(21,127)	(34,108)	(55,235)
Increase in bank overdraft	(830)		
Increase (decrease) in accounts payable	(63,882)	49,920	(13,962)
Increase in taxes payable	1,994	322	
Decrease in accrued payroll	(4,118)	(1,980)	(6,098)
Increase in customer deposits	4,557		4,557
Decrease in accrued compensated absences	(3,530)	(1,511)	(5,041)
Net cash provided by operating activities	<u>\$ (42,814)</u>	<u>\$ 82,820</u>	<u>\$ 38,520</u>

Noncash investing, capital and financing activities:

During the past year, the Proprietary Funds (water) received capital assets with a net value of \$524,316 from Governmental Activities.

See accompanying notes to the financial statements.

Town of Ferriday, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

INTRODUCTION

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

1. The Town of Ferriday, Louisiana was incorporated under provisions of the Lawrason Act as a Town in 1923.
2. The purpose of a municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.
3. The Board of Alderman consists of five elected members that are paid \$200 per month.
4. The Town of Ferriday is located in the northeastern portion of Concordia Parish, Louisiana. Concordia Parish is located in northeastern Louisiana.
5. The population of Ferriday is 3,721.
6. The Town of Ferriday has approximately 41 employees.
7. The Town of Ferriday has approximately 1,500 utility customers.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The municipality reports the following major governmental funds:

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

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

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

The municipality reports the following major proprietary funds:

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial

statements. Exceptions to this general rule are 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 the sales of water and sewer services to both residential and commercial customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Deposits

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

D. Revenues and Receivables

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

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

General fund	4.98 mills
Bond sinking fund	12.00 mills
Public safety bond fund	10.00 mills

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

Bell South	\$16,338.28
Concordia Bank	\$41,517.63

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

1. Payment of sales tax bonds;
2. Payment of general operating expenses of the town;
3. Payment of all or part of capital improvements;

4. Maintenance or operation of capital improvements; and
5. Any one or all of the aforementioned purposes.

E. Restricted Assets

Certain assets of the Town of Ferriday, Louisiana, have been restricted for debt service and customers' deposits and these assets total \$307,993.

F. Capital Assets

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

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

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

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

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

G. Compensated Absences

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

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

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

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

H. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental

activities, business-type activities, or proprietary fund type statement of net assets. .

I. Fund Equity

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

J. Comparative Data/Reclassifications

Due to the changes required by conversion of the financial statements to a format consistent with GASB Statement 34, comparative total data for the prior year has not been presented.

K. Estimates

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

L. Encumbrances

The Town of Ferriday does not use encumbrance accounting.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

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

8. There were no amendments to the budget during the year ended December 31, 2004.

DEFICITS The following individual funds have deficits in unreserved fund balance (net assets) at June 30, 2004:

General Fund	(\$129,938)
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3. CASH AND CASH EQUIVALENTS

At June 30, 2004, the municipality has cash and cash equivalents (book balances) totaling \$685,679.

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

At June 30, 2004, the municipality had \$895,134 in deposits (collected bank balances). These deposits are secured from risk by \$300,000 of federal deposit insurance and \$1,690,865 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

4. RECEIVABLES

The receivables of \$196,086 at June 30, 2004 are as follows:

<i>General Fund</i>			
Garbage billings	\$ 36,911		
Less allowance for doubtful accounts	<u>6,500</u>	\$30,411	
Rehabilitation loans		<u>16,114</u>	\$ 46,525
 <i>Capital Projects Fund</i>			
Grant funds receivable			3,150
 <i>Utility Enterprise Fund</i>			
Water billings	\$113,162		
Less allowance for doubtful accounts	<u>20,900</u>	\$ 92,262	
Sewer billings	\$ 61,749		
Less allowance for doubtful accounts	<u>7,600</u>	<u>54,149</u>	<u>146,411</u>
Total			<u>\$196,086</u>

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
<i>Nondepreciable Assets</i>				
Land	\$ 173,954			\$ 173,954
<i>Depreciable Assets</i>				
Buildings	1,229,005			1,229,005
Vehicles	719,448	\$ 7,800	\$ 67,662	659,586
Machinery and Equipment	548,210	3,416		551,626
Totals at Historical Cost	<u>\$ 2,670,617</u>	<u>\$ 11,216</u>	<u>\$ 67,662</u>	<u>\$ 2,614,171</u>
 <i>Less Accumulated Depreciation</i>				
Buildings	\$ 544,583	\$ 28,342		\$ 572,925
Vehicles	381,931	39,703	\$ 67,662	353,972
Machinery and equipment	518,569	5,671		524,240
Total Accumulated Depreciation	<u>\$ 1,445,083</u>	<u>\$ 73,716</u>	<u>\$ 67,662</u>	<u>\$ 1,451,137</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,225,534</u>	<u>\$ (62,500)</u>	<u>\$ _____</u>	<u>\$ 1,163,034</u>
 Business Type Activities				
<i>Depreciable Assets</i>				
Water system lines and equipment	\$ 5,291,155	\$ 528,316		\$ 5,819,471
Sewer system lines and equipment	6,332,558	25,782		6,358,340
Totals at Historical Cost	<u>\$ 11,623,713</u>	<u>\$ 554,098</u>		<u>\$ 12,177,811</u>
 <i>Less Accumulated Depreciation</i>				
Water system lines and equipment	2,409,524	\$ 140,015		\$ 2,549,539
Gas system lines and equipment	2,353,630	204,492		2,558,122
Total Accumulated Depreciation	<u>\$ 4,763,154</u>	<u>\$ 344,507</u>		<u>\$ 5,107,661</u>
Business Type Activities Capital Assets, Net	<u>\$ 6,860,559</u>	<u>\$ 209,591</u>		<u>\$ 7,070,150</u>
 Depreciation Expense was charged to governmental functions as follows:				
General	\$ 26,242			
Police	24,197			
Fire	11,882			
Streets	11,395			
Total	<u>\$ 73,716</u>			

6. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$192,989 as of June 30, 2004 were made up of amounts due by each individual fund to vendors and contractors for goods and services rendered.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

8. SHORT-TERM DEBT

Short-term debt consists of one note payable due from the water fund payable to Concordia Bank and Trust in the amount of \$150,000, bearing interest at a rate of 6%, due March 1, 2005. The proceeds of the note were used to pay accounts payable.

9. LEASES

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

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligations transactions of the Town of Ferriday (general fund) for the year ended June 30, 2004:

	<u>Sales Tax Bonds</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds payable at June 30, 2003	\$ 830,000	\$1,280,000	\$ 245,945	\$1,945,945
Bonds issued				
Bonds retired	<u>85,000</u>	<u>70,000</u>	<u>11,580</u>	<u>166,580</u>
Bonds payable at June 30, 2004	<u>\$ 745,000</u>	<u>\$1,210,000</u>	<u>\$ 234,365</u>	<u>\$2,189,365</u>

Bonds payable at June 30, 2004 are comprised of the following:

Sales Tax Bonds - \$1,300,000 in Public Improvement Bonds due in annual installments of \$85,000 to \$125,000 through February 1, 2011, bearing interest at a rate of 4.8% to 5%	\$ 745,000
General Obligation Bonds - \$1,280,000 in General Obligation Bonds due in annual installments of \$70,000 to \$130,000 through March 1, 2016 bearing interest at a rate of 4.5%	1,210,000
Capital lease - \$147,700 capital lease due in annual installments of \$18,933 through August 8, 2013	147,700
Capital Lease - \$129,000 capital lease due in annual installments of \$17,819 through May 22, 2010	<u>86,665</u>
Total	<u>\$2,208,245</u>

The annual requirements to amortize the sales tax bonds, the general obligation bonds and the capital lease outstanding as of June 30, 2004 are as follow:

<u>Year Ended</u>	<u>Sales Tax</u>	<u>General Obligation</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 90,000	\$ 75,000	\$ 24,234	\$ 96,448	\$ 285,682
2006	95,000	80,000	25,524	86,848	287,372
2007	100,000	85,000	26,951	76,670	288,621
2008	105,000	90,000	28,459	65,913	289,372
2009	110,000	95,000	30,053	51,246	286,299
Thereafter	<u>245,000</u>	<u>785,000</u>	<u>99,144</u>	<u>131,259</u>	<u>1,260,403</u>
	<u>\$745,000</u>	<u>\$1,210,000</u>	<u>\$234,365</u>	<u>\$508,384</u>	<u>\$2,697,749</u>

Bond Indenture Restrictions - Sales Tax Bonds:

1. The Town shall maintain a reserve fund with a balance of \$130,000. The balance in the fund was \$115,978 at June 30, 2004 and the Town was in compliance with the reserve fund requirements.
2. The Town shall deposit into a sinking fund the amount of \$10,541 per month. The Town was in compliance with this covenant.

The following is a summary of the long-term obligations transactions of the Town of Ferriday (proprietary fund) for the year ended June 30, 2004:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Bonds payable at June 30, 2003	\$1,962,829	\$1,397,289	\$3,360,118
Bonds retired	<u>(122,263)</u>	<u>(35,941)</u>	<u>(158,204)</u>
Bonds payable at June 30, 2004	\$1,840,566	\$1,361,348	\$3,201,914
Less current portion	<u>(117,478)</u>	<u>(35,024)</u>	<u>(302,502)</u>
Long-term portion	<u>\$1,723,088</u>	<u>\$1,326,324</u>	<u>\$2,899,412</u>

Bonds payable at June 30, 2004 are comprised of the following:

Water Revenue Bonds - \$3,200,000 in revenue bonds due in annual installments of \$67,184 through October 29, 2014, bearing interest at a rate of 5.75%	\$ 497,686
Water Revenue Bonds - \$1,503,000 in revenue Bonds due in monthly installments totalling \$163,524 annually through June 14, 2033 bearing interest at a rate of 5.5%	1,342,880
Sewer Revenue Bonds - \$1,800,000 in revenue bonds due in monthly installments totalling \$105,192 annually through June 14, 2033, bearing interest at a rate of 5%	<u>1,361,348</u>
Total	<u>\$3,201,914</u>

The annual requirements to amortize the water revenue bonds outstanding as of June 30, 2004 are as follow:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 130,561	\$100,147	\$ 230,708
2006	138,510	92,198	230,708
2007	146,006	84,702	230,708
2008	154,272	76,436	230,708
2009	153,166	77,542	230,708
Thereafter	<u>1,118,051</u>	<u>178,474</u>	<u>1,296,525</u>
	<u>\$1,840,566</u>	<u>\$609,499</u>	<u>\$2,450,065</u>

The annual requirements to amortize the sewer revenue bonds outstanding as of June 30, 2004 are as follow:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 37,987	\$ 67,205	\$ 105,192
2006	40,470	64,722	105,192
2007	42,184	63,008	105,192
2008	44,336	60,856	105,192
2009	46,598	58,594	105,192
Thereafter	<u>1,149,773</u>	<u>429,426</u>	<u>1,579,199</u>
	<u>\$1,361,348</u>	<u>\$743,811</u>	<u>\$2,105,159</u>

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

WATER FUND BONDS

1. The Town shall maintain a reserve fund into which monthly deposits of \$997 will be made. The reserve fund balance was \$88,357 at June 30, 2004. Deposits shall be made into the fund until a balance of \$239,489 has been accumulated into the fund. At June 30, 2004, the Town was not in compliance with this covenant.
2. The Town shall maintain a depreciation fund into which monthly deposits of \$970 will be made. The depreciation fund balance was \$64,092 at June 30, 2004. Annual deposits of \$11,640 will be required for each of the next four years. At June 30, 2004, the Town was not in compliance with this covenant.
3. The Town shall deposit into a sinking fund an amount sufficient to accumulate \$67,184 on October 29 of each year so that the installment of principal and interest can be made. The sinking fund balance was \$51,163 as of June 30, 2004. At June 30, 2004, the Town was not in compliance with this covenant.

SEWER FUND BONDS

1. The Town shall maintain a reserve fund into which monthly payments of \$375 to \$439 shall be deposited until a balance of \$105,192 has been accumulated. The reserve fund balance was \$88,766 as of June 30, 2004. At June 30, 2004, the Town was not in compliance with this covenant.
2. The Town shall maintain a depreciation and contingency fund into which monthly payments of \$414 shall be deposited. The contingency fund balance was \$88,664 as of June 30, 2004. At June 30, 2004, the Town was not in compliance with this covenant.
3. The Town had a requirement to maintain a sinking fund in which \$8,766 monthly shall be deposited. The Town now pays the note on a monthly basis so no sinking fund is required.

11. RETIREMENT SYSTEMS

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

12. RESERVED AND DESIGNATED RETAINED EARNINGS/FUND BALANCES

Net assets of the utility proprietary fund were restricted in the amount of \$304,288 to represent amounts set aside as required by debt service covenants.

Net assets of the sales tax bond portion of the debt service fund were restricted in the amount of \$241,421 to represent amounts set aside as required by bond covenants.

13. CONTINGENT LIABILITIES

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

The Town is also involved in three lawsuits involving amounts due to vendors. Amounts of approximately \$70,000 have been included in accounts payable as amounts due in two of these actions, and the Town is *making payments to settle these amounts. The amount of \$27,084 which may be due to American Payment Systems for amounts collected by Town personnel acting as an agent for Bell South Telephone through APS. These amounts have not been deposited into the account set up for Bell South. The Town is no longer acting as agent in this fashion. If the Town held liable for this amount, it will seek restitution from the responsible parties.*

Section III

Additional Required Supplemental Information

Required Supplementary Information
Town of Ferriday
Budgetary Comparison Schedule - General Fund
for the year ended June 30, 2004

	Budgeted Amounts (Note A)	Actual Amounts (Budget Basis) (Note B)	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1, 2004	\$ (96,858)	\$ (96,858)	
Resources (inflows):			
Taxes	1,576,900	1,552,689	\$ (24,211)
Licenses and permits	112,200	116,560	4,360
Intergovernmental revenues			
Federal funds	75,000	5,665	(69,335)
State funds	10,000	52,307	42,307
Charges for services	160,000	225,642	65,642
Fines	145,000	124,709	(20,291)
Miscellaneous	98,300	45,554	(52,746)
Amounts available for appropriation	<u>\$ 2,080,542</u>	<u>\$ 2,026,268</u>	<u>\$ (54,274)</u>
Charges to appropriations (outflows):			
General government	\$ 803,632	\$ 966,433	\$ (162,801)
Public safety			
Police	487,200	480,756	6,444
Fire	137,565	160,051	(22,486)
Fire capital lease		17,819	
Streets	110,450	129,127	(18,677)
Sanitation	218,330	207,734	10,596
Capital outlay		11,716	(11,716)
Transfers to other funds	245,000	182,779	62,221
Total charges to appropriations	<u>\$ 2,002,177</u>	<u>\$ 2,156,415</u>	<u>\$ (136,419)</u>
Budgeted surplus (deficit)	<u>\$ 78,365</u>	<u>\$ (130,147)</u>	<u>\$ 82,145</u>
Budgetary fund balance, June 30, 2004	<u>\$ (18,493)</u>	<u>\$ (227,005)</u>	<u>\$ 208,512</u>

See accompanying notes to this budgetary statement.

**Required Supplementary Information
Town of Ferriday
Budgetary Comparison Schedule - General Fund
for the year ended June 30, 2004**

Note A - Original and Amended Budgetary Amounts

There were no amendments to the budget for the Town of Ferriday during the year ended June 30, 2004, therefore, only one amount is listed.

Note B - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,026,268
---	--------------

Differences - budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	96,858
--	--------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,123,126</u>
--	---------------------

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,156,415
---	--------------

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(182,779)
--	-----------

Capital leases are reported as other financing uses for financial reporting purposes	<u>(17,819)</u>
--	-----------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,955,817</u>
--	---------------------

Section IV

Other Supplemental Schedules

**Town of Ferriday
Ferriday, Louisiana**

**Schedule of Compensation Paid to Alderpersons
For the Year ended June 30, 2004**

Mitch Ashmore	\$	2,800
Alan Cupit		1,400
Sammy Davis Jr		2,900
Jerome Harris		3,000
Dorothy Johnson		3,000
William Rucker		1,500
		<hr/>
	\$	14,600

Section V

Other Reports

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

The Mayor and the Board of Alderpersons
Town of Ferriday
Ferriday, Louisiana

I have audited the financial statement of the Town of Ferriday as of and for the year ended June 30, 2004, and have issued my report thereon dated January 19, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Ferriday's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. *Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Town of Ferriday's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.* Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2 and 2004-3.

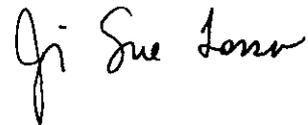
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ferriday's financial statements are free of material misstatement, I performed tests of its compliance with

certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective on my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances on noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2004-4, 2004-5, and 2004-6. We also noted certain additional matters that I reported to management of the Town of Ferriday in a separate letter dated January 19, 2005.

This report is intended solely for the information and use of the audit committee, management, Mayor and Board of Alderpersons, Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised statute 24:413, this document may be distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "Ji Sue Lono".

Ferriday, Louisiana

January 19, 2004

Town of Ferriday, Louisiana
Schedule of Findings and Questioned Costs and Management's
Corrective Action Plan
Year ended June 30, 2004

Internal Control Findings

2004-1 - Presigned Checks

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

I recommend that no checks be signed in blank.

Management Response.

All checks are now typed and stamped before signing.

2004-2 - Meter Deposits Subsidiary Ledger

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

I recommend that the subsidiary ledger be updated immediately.

Management Response

All subsidiary ledgers have been updated and all meter deposits will be recorded in the same day that it was made.

2004-3 Internal Controls over Contract Account

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

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

Management Response

All deposits will be made by the Town Clerk or Administrative Assistant. All deposits

are handed in with a daily record of monies and all deposits are re-counted by the Town Clerk or Administrative Assistant before deposit. No one accepting money for accounts will be responsible for making any deposits.

Compliance Findings

2004-4 - Bond Covenants

I noted that the Town of Ferriday was underfunded in all of its Water Bond Funds (Depreciation, Reserve and Sinking) and Sewer Bond Funds (Contingency and Reserve) for the fiscal year ended June 30, 2004 by the amount of the deposits that should have been made in June, but were not. There was also withdrawals from the Water Bond Sinking Fund during June, 2004 in the total amount of \$45,627.43 which was transferred to other funds and used to pay accounts payables.

I recommend that the Town of Ferriday add these amounts to these funds and ensure in the future that they are fully funded.

Management Response.

All bond accounts are now fully funded every month. We will be working to catch up the funds that were underfunded for the prior year.

2004-5 - Budget

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

I recommend that the Town of Ferriday more closely monitor budget performance and amend the budget when necessary.

Management Response

The budget performance is being monitored more closely by having more detailed purchase orders and weekly supervisor meetings.

2004-6 - Late Submission of the Audit Report

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

In the future, audit reports need to be submitted in a timely fashion.

Management Response

All audit reports will be submitted in a timely fashion.

**Town of Ferriday, Louisiana
Status of Prior Audit Findings
Year ended June 30, 2003**

Reportable Conditions

2003-1 - Expenditures in Excess of Budget

It was noted that the Town of Ferriday's expenditures exceeded budgeted amounts by 21%.

Disposition - See Finding 2004-4. Expenditures exceeded budgeted amounts by 6.8%.

2003-2 - Late Filing Audit Report

The audit report was not filed until January 30, 2004.

Disposition - See finding 2004-5 for the current year.

2003-3 Utility Meter Readings, Billings and Dead Meters

The Town had numerous billing and meter problems resulting in lost revenue for the Town.

Disposition - There has been the installation of a new billing program to assist in the *proper billing of customers and a grant has been obtained to purchase meters to replace those that are not billing correctly or at all.*

2003-4 Meter Deposit Subsidiary Ledger

Customers' deposits are not kept in one single subsidiary ledger

Disposition - See Finding 2004-2.

2003-5 Segregation of Duties

There was inadequate segregation of duties for sufficient internal control.

Disposition - There have been changes implemented at the present time that have brought about sufficient segregation of duties to facilitate internal control.

Section VI

Reports Required by the Single Audit Act

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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**

Town of Ferriday
Ferriday, Louisiana

Compliance

I have audited the compliance of the Town of Ferriday, Ferriday, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The Town of Ferriday's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Ferriday's management. My responsibility is to express an opinion on the Town of Ferriday's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; 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 I 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 Ferriday's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Town of Ferriday's compliance with those requirements.

In my opinion, the Town of Ferriday, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Town of Ferriday, 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 my audit, I considered the Town's internal control over compliance with requirements that could have

a direct and material effect on a major federal program in order to determine my auditing my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

I have audited the general purpose financial statements of the Town of Ferriday as of and for the year ended June 30, 2004 and have issued my report thereon dated January 19, 2005. My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the Town of Ferriday. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

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



January 19, 2005

Town of Ferriday, Louisiana
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Summary of Audit Results

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

Department of Housing and Urban Development, Community
Development Block Grant, CFDA 14.228
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The Town of Ferriday was not determined to be a low-risk auditee.

Town of Ferriday
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Program Amount	Expenditures
<u>United States Department of Housing and Urban Development</u>			
Community Development Block Grant - Water System Improvements (LCDBG 588608)	14.228	\$ 527,466	\$ 527,466
Community Development Block Grant - Demonstrated Needs Grant Roadway Improvements (LCDBG 584074)	14.228	76,207	76,207
<u>Federal Emergency Management Agency</u>			
Fire Management Grant	83.556	2,591	2,591
<u>Department of Justice</u>			
Law Enforcement Block Grant	16.592	3,074	3,074
			<u>\$ 609,338</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Town of Ferriday, Louisiana
Notes to Schedule of Expenditures of Federal Awards
As of and For the Year ended June 30, 2004

NOTE 1 - BASIS OF PRESENTATION

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

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

I have audited the financial statements of the Town of Ferriday, as of June 30, 2004 and for the year then ended, and have issued my reports dated January 19, 2005. As a part of my examination, I made a study and evaluation of the Town's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. My study was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Town is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Town taken in as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

My comments on specific financial and accounting matters and recommendations developed during my examination which do not represent material weaknesses, are detailed below.

Funds in Customer Deposit Account - There are insufficient funds in the customer deposit account to cover the amount of deposits made by customers for utility services. These are funds that belong to the customers but held for them in escrow by the town. Funds in the deposit account were used to pay accounts payable.

Management Response - *All funds for customer deposit accounts are made on a separate deposit slip and recorded in the computer the same day. We will be working to fund the amounts needed to bring this account back up to balance.*

This report is intended for the use of the Town's management and others within the organization.

I thank all the personnel at the Town for their cooperation during my examination.

A handwritten signature in cursive script that reads "Ji Sue Long". The signature is written in black ink and is positioned to the right of the typed name.

Ferriday, Louisiana
January 19, 2005