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**TOWN OF MONTGOMERY, LOUISIANA
FINANCIAL REPORT
FOR THE YEAR ENDED
JULY 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 July 6 1998

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GENERAL PURPOSE FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Stephen Gunn, Mayor
and Members of the Town Council
Montgomery, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Montgomery, Louisiana, as of and for the year ended July 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the Town of Montgomery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Montgomery, Louisiana, as of July 31, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 30, 1998, on our consideration of the Town of Montgomery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Montgomery, Louisiana, taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements, taken as a whole.

The financial information for the year ended July 31, 1997, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion dated September 29, 1997, on the general purpose financial statements of the Town of Montgomery, Louisiana.

Hines, Jackson & Hines
Natchitoches, Louisiana
October 30, 1998

COMBINED STATEMENTS - OVERVIEW

EXHIBIT A

TOWN OF MONTGOMERY, LOUISIANA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JULY 31, 1998

	Governmental Fund Types		Proprietary Fund Type		Account Groups		Total Memorandum Only	
	General Fund	Debt Service Fund	Capital Projects Fund	Enterprise	General Fixed Assets	Long-Term Debt	1998	1997
ASSETS								
Cash and cash equivalents	\$ 19,923	\$ 14,590	\$ 0	\$ 143,907	\$ 0	\$ 0	\$ 178,420	\$ 164,472
Investments	0	0	0	135,502	0	0	135,502	131,465
Accounts Receivable								
Trade	0	0	0	18,636	0	0	18,636	18,344
Interest	0	0	0	1,670	0	0	1,670	1,655
Other	2,425	0	0	0	0	0	2,425	4,528
Prepaid Expenses	1,436	0	0	945	0	0	2,381	3,391
Due from other funds	0	2,590	0	0	0	0	2,590	3,857
Restricted Assets								
Cash and cash equivalents	0	0	0	45,917	0	0	45,917	44,850
Investments	0	0	0	44,189	0	0	44,189	43,104
Property, plant and equipment, net	0	0	0	1,738,867	461,048	0	2,199,915	2,266,846
Amount available in debt service fund	0	0	0	0	0	17,180	17,180	15,700
Amount to be provided for retirement of general long-term debt	0	0	0	0	0	8,820	8,820	12,300
Total Assets	\$ 23,784	\$ 17,180	\$ 0	\$ 2,129,633	\$ 461,048	\$ 26,000	\$ 2,657,645	\$ 2,710,512

The notes to the financial statements are an integral part of this statement.

EXHIBIT A

TOWN OF MONTGOMERY, LOUISIANA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JULY 31, 1998

	Governmental Fund Type			Proprietary Fund Type		Account Group			Total Memorandum Only	
	General Fund	Debt Service Funds	Capital Projects Fund	Enterprise	General	Fixed Assets	Long-Term Debt	1998	1997	
										General
Liabilities and Fund Equity										
Liabilities										
Accounts payable	\$ 2,396	\$ 0	\$ 0	\$ 8,319	\$ 0	\$ 0	\$ 0	\$ 10,715	\$ 20,080	
Payroll taxes payable	978	0	0	1,734	0	0	0	2,712	2,229	
Accrued liabilities	0	0	0	1,485	0	0	0	1,485	473	
Customers' deposits	0	0	0	49,430	0	0	0	49,430	3,857	
Due to other funds	0	0	0	2,590	0	0	0	2,590	3,762	
Interest coupons payable	0	0	0	3,558	0	0	0	3,558	28,000	
General obligation bonds payable	0	0	0	0	0	26,000	0	26,000	129,000	
Revenue bonds payable	0	0	0	122,000	0	0	0	122,000	48,382	
Total Liabilities	3,374	0	0	189,116	0	26,000	0	218,490	235,783	
Fund equity:										
Contributed capital	0	0	0	1,693,071	0	0	0	1,693,071	1,672,399	
Investment in general fixed assets	0	0	0	0	461,048	0	0	461,048	458,102	
Retained earnings										
Reserved for debt service	0	0	0	37,356	0	0	0	37,356	26,599	
Unreserved	0	0	0	210,090	0	0	0	210,090	292,619	
Fund balance										
Reserved for debt service	0	17,180	0	0	0	0	0	17,180	15,700	
Unreserved	20,410	0	0	0	0	0	0	20,410	9,310	
Total Fund Equity	20,410	17,180	0	1,940,517	461,048	0	0	2,439,155	2,474,729	
Total Liabilities and Fund Equity	\$ 23,784	\$ 17,180	\$ 0	\$ 2,129,633	\$ 461,048	\$ 26,000	\$ 0	\$ 2,657,645	\$ 2,710,512	

The notes to the financial statements are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JULY 31, 1998

	General	Debt Service	Capital Projects	Totals (Memorandum Only)	
				1998	1997
REVENUES					
Taxes	\$ 22,982	\$ 4,880	\$ 0	\$ 27,862	\$ 27,056
Intergovernmental revenues	13,245	0	0	13,245	59,588
Licenses and permits	24,801	0	0	24,801	22,960
Fines and forfeitures	11,030	0	0	11,030	32,480
Interest	3,735	0	0	3,735	158
Miscellaneous	<u>6,496</u>	<u>0</u>	<u>0</u>	<u>6,496</u>	<u>7,695</u>
Total Revenues	82,289	4,880	0	87,169	149,937
EXPENDITURES					
General government	44,233	0	0	44,233	49,512
Public safety					
Police	50,703	0	0	50,703	79,681
Fire	9,550	0	0	9,550	13,050
Streets	10,358	0	0	10,358	10,751
Sanitation	1,850	0	0	1,850	1,802
Recreation	2,495	0	0	2,495	1,978
Debt Service					
Principal	0	2,000	0	2,000	2,000
Interest	0	1,400	0	1,400	1,500
Grant Administration	0	0	0	0	5,250
Capital outlays	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,615</u>
Total Expenditures	<u>119,189</u>	<u>3,400</u>	<u>0</u>	<u>122,589</u>	<u>209,139</u>
Excess of Revenues Over/ (Under) Expenditures	(36,900)	1,480	0	(35,420)	(59,202)
Other Financing Sources/(Uses):					
Operating transfers in	<u>48,000</u>	<u>0</u>	<u>0</u>	<u>48,000</u>	<u>64,263</u>
Excess of Revenues and other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	11,100	1,480	0	12,580	5,061
Fund Balances, Beginning of year	<u>9,310</u>	<u>15,700</u>	<u>0</u>	<u>25,010</u>	<u>19,949</u>
Fund Balances, End of year	<u>\$ 20,410</u>	<u>\$ 17,180</u>	<u>\$ 0</u>	<u>\$ 37,590</u>	<u>\$ 25,010</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED JULY 31, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Fav./Unfav.</u>
REVENUES			
Taxes	\$ 23,000	\$ 22,982	\$ (18)
Intergovernmental revenues	15,000	13,245	(1,755)
Licenses and permits	29,000	24,801	(4,199)
Fines and forfeitures	32,000	11,030	(20,970)
Interest	2,000	3,735	1,735
Miscellaneous	<u>3,000</u>	<u>6,496</u>	<u>3,496</u>
Total Revenues	104,000	82,289	(21,711)
EXPENDITURES			
General government	45,000	44,233	767
Public safety			
Police	60,000	50,703	9,297
Fire	9,000	9,550	(550)
Streets	12,000	10,358	1,642
Sanitation	2,000	1,850	150
Recreation	<u>2,000</u>	<u>2,495</u>	<u>(495)</u>
Total Expenditures	<u>130,000</u>	<u>119,189</u>	<u>10,811</u>
Excess of Revenues Over/(Under) Expenditures	(26,000)	(36,900)	(10,900)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	<u>26,000</u>	<u>48,000</u>	<u>22,000</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 0</u>	11,100	<u>\$ 11,100</u>
FUND BALANCES, Beginning of year		<u>9,310</u>	
FUND BALANCES, End of year		<u>\$ 20,410</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPES
FOR THE YEARS ENDED JULY 31, 1998 AND 1997

	<u>Enterprise</u>	
	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Charges for services	\$ 320,420	\$ 335,365
Taxes - ad valorem	8,837	7,088
Miscellaneous	<u>12,926</u>	<u>12,915</u>
Total Operating Revenues	342,183	355,368
OPERATING EXPENSES		
Salaries	67,163	64,052
Payroll taxes	4,715	5,432
Chemicals	16,138	13,868
Contract labor	0	2,338
Depreciation	101,212	90,946
Drug testing	526	528
Electricity	20,498	20,241
Fittings, pipe, general supplies	8,798	10,119
Franchise agreement	2,061	2,037
Gas purchased	84,323	88,545
Insurance	14,164	18,959
Legal, professional and audit	8,546	14,188
Office supplies and postage	3,460	5,676
Miscellaneous	285	1,756
Repairs and maintenance	23,306	20,429
Rentals	1,616	865
Seminars, dues and subscriptions	870	1,475
Telephone	3,636	3,837
Truck expenses	<u>6,128</u>	<u>7,243</u>
Total Operating Expenses	<u>367,445</u>	<u>372,534</u>
Operating Inome/(Loss)	(25,262)	(17,166)
Nonoperating Revenues/(Expenses)		
Interest income	7,736	11,172
Interest expense	<u>(6,246)</u>	<u>(6,574)</u>
Total Nonoperating Revenues/(Expenses)	<u>1,490</u>	<u>4,598</u>
Income/(Loss) Before Operating Transfers	(23,772)	(12,568)
Operating Transfers		
Operating transfers in	0	3,920
Operating transfers out	<u>(48,000)</u>	<u>(61,820)</u>
Total Operating Transfers in/(out)	<u>\$ (48,000)</u>	<u>\$ (57,900)</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT D

TOWN OF MONTGOMERY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPES (CONTINUED)
FOR THE YEARS ENDED JULY 31, 1998 AND 1997

	Enterprise	
	1998	1997
Net Income/(Loss)	\$ (71,772)	\$ (70,468)
(Increase)/Decrease In Retained Earnings Reserved For Debt Service	(10,757)	(654)
Net Change In Unreserved Retained Earnings For The Year	(82,529)	(71,122)
Retained Earnings, Beginning of year	292,619	363,741
Retained Earnings, End of year	\$ 210,090	\$ 292,619

The notes to the financial statements are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
COMBINED STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPES
YEARS ENDED JULY 31, 1998 AND 1997

	<u>ENTERPRISE</u>	
	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income/(loss)	\$ (25,262)	\$ (17,166)
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities		
Depreciation	101,212	90,946
Changes in operating assets and liabilities:		
(Increase)/ decrease in accounts receivable	(292)	958
(Increase)/ decrease in accrued interest receivable	(15)	(93)
(Increase)/ decrease in prepaid expenses	(90)	(29)
Increase /(decrease) in accounts payable	(5,538)	14
Increase /(decrease) in accrued liabilities	555	(420)
Increase /(decrease) in franchise agreement	1,012	236
Increase /(decrease) in customer deposits	<u>1,048</u>	<u>5,228</u>
<i>Net Cash Provided by/(Used in) Operating Activities</i>	72,630	79,674
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund financing from /(to) other funds	(1,267)	3,920
Operating transfers from /(to) other funds	<u>(48,000)</u>	<u>(61,820)</u>
<i>Net cash provided/(used) by noncapital financing activities</i>	(49,267)	(57,900)
Cash Flows From Capital and Related Financing Activities		
Receipt of capital grants	20,672	42,501
Payment for capital acquisition	(31,335)	(92,274)
Principal payment sewer bonds	(7,000)	(6,000)
Interest paid on sewer bonds	(6,450)	(6,750)
Accrued interest payments - sewer bonds	<u>0</u>	<u>176</u>
<i>Net Cash Provided By/(Used in) Capital and Related Financing Activities</i>	(24,113)	(62,347)
Cash Flows From Investing Activities		
(Increase)/decrease in investments	(5,122)	48,727
Interest income	<u>7,736</u>	<u>11,172</u>
<i>Net Cash Flows Provided By/(Used in) Investing Activities</i>	<u>2,614</u>	<u>59,899</u>
Net Increase/(Decrease) In Cash and Cash Equivalents	1,864	19,326
CASH AND CASH EQUIVALENTS, Beginning of year	<u>187,960</u>	<u>168,634</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 189,824</u>	<u>\$ 187,960</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Montgomery, Louisiana, is incorporated under the provisions of a special home rule charter. The Town operates under a mayor - council form of government. The Town's major operations include public safety, fire protection, streets, sanitation, recreation and parks, utilities and general administrative services.

The accounting and reporting policies of the Town of Coushatta conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial principles. Such accounting and reporting procedures also conform to the requirements set forth in the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units.

A. Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Town is determined on the basis of the following criteria:

1. Financial interdependency. When a separate agency produces a financial benefit for or imposes a financial burden on a unit of government, that agency is a part of the reporting entity. Manifestations of financial interdependency include responsibility for financial deficits, entitlements to surpluses, and guarantees of, or "moral responsibility" for debt.
2. Selection of governing authority. An authoritative appointment is one where the entity's chief elected official maintains a significant continuing relationship with the appointed officials with respect to carrying out important public functions.
3. Designation of management. When management is appointed by and held accountable to a governing authority that is included in the entity, the activity being managed falls within the entity.
4. Ability to significantly influence operations. This ability includes, but is not limited to, the authority to review and approve budgetary requests, adjustments, and amendments.
5. Accountability for fiscal matters. Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

There may be, however, factors other than oversight that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These factors include:

1. Scope of Public Service. Aspects to be considered include who the activity benefits and whether it is conducted within the entity's geographic boundaries and generally available to its citizens.
2. Special Financing Relationship. Such a relationship may have been created to benefit the entity by providing for the issuance of debt on behalf of the entity.

Based on the application of these criteria, the financial statements of the Town of Montgomery, LA, consist only of the funds and account groups of the Town, since the Town has no oversight responsibility for any other governmental entity.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting

The accounts of the Town of Montgomery are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The individual funds account for the government resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The various funds are grouped in this report into generic fund types and broad fund categories as follows:

Governmental Fund Types - Governmental funds account for all or most of the Town of Montgomery's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations.

General Fund

The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Debt Service Funds

Debt service funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from enterprise funds.

Capital Project Funds

Capital project funds are established to account for major capital expenditures not financed by enterprise funds, internal service funds or trust funds.

Proprietary Fund Types - *Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator.*

Enterprise Funds - The enterprise funds are used to account for operations a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's enterprise funds are comprised of its water, gas and sewer operations.

Account Groups - An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

General fixed assets account group

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the enterprise funds.

General long-term debt account group

This is not a fund but rather an account group that is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in the proprietary funds.

C. General Fixed Assets and Long-term Debt

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Public domain ("infrastructure") general fixed assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at cost.

Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies.

The proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity is included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the enterprise funds is charged as an expense against their operations. Accumulated depreciation is reported on the enterprise fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method.

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Ad valorem taxes are recorded as revenue when levied because they are considered to be both measurable and available even though a portion of the taxes are collected in subsequent years.

Those revenues susceptible to accrual are ad valorem taxes, franchise taxes, interest revenue, intergovernmental revenues, and charges for services. Fines, permits, licenses, penalties and interest, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

All proprietary funds are accounted for by using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sales of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources or uses. These other financing sources or uses are recognized at the time the underlying events occur.

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control. Annual operating budgets are adopted each fiscal year and amended as required. The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town Clerk prepares a proposed budget, based on departmental group budget requests, and submits same to the Mayor and council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an appropriation ordinance or adoption resolution prior to the commencement of the fiscal year for which the budget is being adopted.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. *Budgets and Budgetary Accounting (Continued)*

5. Budgetary amendments involving the transfer of 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.

The Town's procedures with respect to its budget are designed to meet the requirements of applicable Louisiana Revised Statutes. The Town prepares budgets for its general fund, debt service funds, and capital projects funds on a basis consistent with generally accepted accounting principles.

F. *Cash and Cash Equivalents*

Consistent with GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting", the Town of Montgomery defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

G. *Investments*

Investments are stated at lower of cost or market and consist of certificates of deposit.

H. *Receivables*

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

I. *Bad Debts*

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables" and are recorded by all funds affected in the period in which transactions are executed.

K. Interest Receivable

Interest on investments and certain receivables are recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

L. Compensated Absences

Employees of the Town earn two weeks of vacation per year and are required to use it the following year. No vacation time may be carried forward to the succeeding calendar year. Unused vacation at July 31, 1998, was of an immaterial amount and therefore not accrued.

Sick pay benefits are earned at the rate of one day per month. These benefits accrue and accumulate up to a maximum of 24 days. However, these are non-vesting accumulating benefits. Therefore, the liability is not recorded in the financial statements in accordance with the provisions of the Statement of Financial Accounting Standards No. 43.

M. Restricted Assets

Enterprise funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt.

N. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital is recorded in the Enterprise Funds for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

O. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts from prior year financial statements have been reclassified to conform with current classifications.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

P. Total Columns on Combined Statements - Overview

Total columns on the general purpose financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

Louisiana Revised Statutes authorize the Town to invest in United States bonds, treasury notes or certificates, or to deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Deposits are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

At July 31, 1998, the Town of Montgomery has cash and cash equivalents totaling \$224,337, as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Petty cash	\$ 200	\$ 0	\$ 200	\$ 400
Demand deposits	19,723	14,590	86,322	120,635
Certificate of deposit - maturities 90 days or less	<u>0</u>	<u>0</u>	<u>103,302</u>	<u>103,302</u>
Total	<u>\$ 19,923</u>	<u>\$ 14,590</u>	<u>\$ 189,824</u>	<u>\$ 224,337</u>

The Town of Montgomery had investments totaling \$179,691 as of July 31, 1998. These investments consist of \$179,691 in certificates of deposit.

Under state law, these deposits 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 bank. These securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to both parties. At July 31, 1998, the Town of Montgomery had \$404,728 in bank deposits. These deposits were secured from risk by \$278,453 of federal deposit insurance and \$350,000 of pledged securities held by the custodial banks in the name of the fiscal agent (GASB 3).

Even though the pledged securities are considered collateralized under the provisions of GASB Statement 3, Louisiana Revised Statutes require the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at July 31, 1998, is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Debt Service Funds:		
Public Improvement Sewer System	\$ 1,295	\$ 0
Public Improvement Sewer District #1	1,295	0
Enterprise Funds:		
Sewer Fund	<u>0</u>	<u>2,590</u>
Totals	<u>\$ 2,590</u>	<u>\$ 2,590</u>

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Improvement Sewer System	Sewer Fund	\$ 1,295
Public Improvement Sewer District #1	Sewer Fund	<u>1,295</u>
Total		<u>\$ 2,590</u>

NOTE 4 CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance July 31, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance July 31, 1998</u>
Buildings and land	\$ 95,689	\$ 0	\$ 0	\$ 95,689
Improvements	43,454	0	0	43,454
Equipment	<u>318,959</u>	<u>2,946</u>	<u>0</u>	<u>321,905</u>
Total	<u>\$ 458,102</u>	<u>\$ 2,946</u>	<u>\$ 0</u>	<u>\$ 461,048</u>

NOTE 5 PROPERTY, PLANT AND EQUIPMENT - ENTERPRISE FUNDS

A summary of proprietary fund type property, plant and equipment at July 31, 1998 follows:

	<u>Straight Line Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
WATER AND GAS FUND					
Land	-	\$ 26,500	\$ 0	\$ 26,500	\$ 0
Plant	7-50 yrs	1,410,329	653,405	756,924	47,243
Equipment	5-15 yrs	114,966	44,463	70,503	10,034
Vehicles	5 yrs	26,176	24,276	1,900	1,379
SEWER FUND					
Sewer system	25-40 yrs	1,229,402	363,629	865,773	42,083
Plant and equipment	10 yrs	<u>41,300</u>	<u>24,033</u>	<u>17,267</u>	<u>473</u>
Totals		<u>\$ 2,848,673</u>	<u>\$ 1,109,806</u>	<u>\$ 1,738,867</u>	<u>\$ 101,212</u>

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 5 PROPERTY, PLANT AND EQUIPMENT - ENTERPRISE FUNDS (CONTINUED)

Changes during the year are as follows:

	Cost	Accumulated Depreciation	Net
Changes during the year			
Balance, Beginning of year	\$ 2,817,338	\$ (1,008,594)	\$ 1,808,744
Additions			
Plant and equipment	31,335	0	31,335
Depreciation	0	(101,212)	(101,212)
Balance, End of year	\$ 2,848,673	\$ (1,109,806)	\$ 1,738,867

NOTE 6 LONG-TERM DEBT

The following is a summary of the Town of Montgomery, Louisiana's long-term debt transactions for the year ended July 31, 1998:

	General Obligation Bonds	<u>Enterprise Funds</u> Sewer Revenue Bonds
Debt outstanding July 31, 1997	\$ 28,000	\$ 129,000
Additions of new debt	0	0
Retirements and repayments	(2,000)	(7,000)
Debt outstanding July 31, 1998	\$ 26,000	\$ 122,000

Debt outstanding as of July 31, 1998, consisted of the following:

	Interest Rate	Maturity Date	Amount Issued	Outstanding
<u>General Obligation Bonds</u>				
General obligation debts are direct obligations backed by the full faith and credit of the Town.				
Public Improvement - serial bonds				
Sewer Improvements	5.0%	1/1/11	\$ 39,000	\$ 14,000
Sewer District No. 1	5.0%	1/1/11	39,000	14,000
				\$ 28,000
<u>Enterprise Fund Bonds</u>				
Obligations, payable as to both principal and interest solely from the income and revenues to be derived from the operation of the sewerage system				
Sewer Revenue - term bond	5.0%	1/1/11	\$220,000	\$ 122,000

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 6 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of July 31, 1998, including interest payments of \$55,850, are as follows:

Year Ended July 31	General Obligation Bonds	Enterprise Funds Sewer Revenue Bonds	Total
1999	\$ 3,300	\$ 13,100	\$ 16,400
2000	3,200	12,750	15,950
2001	3,100	13,400	16,500
2002	3,000	13,000	16,000
2003	2,900	12,600	15,500
2004	2,800	13,200	16,000
2005	2,700	12,750	15,450
2006	2,600	13,300	15,900
2007	2,500	12,800	15,300
2008	2,400	13,300	15,700
2009	2,300	12,750	15,050
2010	2,200	13,200	15,400
2011	2,100	12,600	14,700
Total	<u>\$ 35,100</u>	<u>\$ 168,750</u>	<u>\$ 203,850</u>

NOTE 7 FUND EQUITY

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Debt Service Funds

Reserved for debt service - The reserve for debt service was created to segregate a portion of fund balance for debt service, including both principal and interest payments, of the general obligation public improvement bonds dated November 1, 1971.

Enterprise funds

Reserved for debt service - Reservations of retained earnings of the enterprise fund are created by increases in assets restricted for debt service. Changes in the reservation result from earnings on restricted assets, payment of maturing principal and interest, and other transfers to restricted accounts. Earnings on restricted assets are included in the net income of the enterprise fund. When reserved retained earnings are increased, there is an equal reduction to the portion of retained earnings that is unreserved.

NOTE 8 DEDICATION OF PROCEEDS AND FLOW OF FUNDS

Enterprise Funds

Sewer Fund - Under the terms of the bond indenture on outstanding Sewer System Bonds dated November 1, 1971, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Sewer System, are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 8 DEDICATION OF PROCEEDS AND FLOW OF FUNDS (CONTINUED)

Out of the revenue there shall be set aside from time to time into an "Operation and Maintenance Fund" amounts sufficient to provide for the payment of the reasonable and necessary expenses of operating and maintaining the system.

Each month, there will be set aside into a fund called the "Bond Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/12 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Each month, there will be set aside into a "Bond Reserve Fund" an amount equal to 5% of the monthly sinking fund payments required during the current fiscal year until there shall have been accumulated in the Reserve Account an amount of \$13,650, the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Redemption Fund and as to which there would otherwise be default.

Funds will also be set aside into a "Contingency Fund" at the rate of \$540 each year. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

As of July 31, 1998, the Sewer Fund Retained Earnings were reserved for the purposes noted above as follows:

Bond Sinking Account	\$ 6,603
Bond Reserve Account	16,707
Bond Contingency Account	<u> 14,046</u>
Total	<u>\$ 37,356</u>

NOTE 9 AD VALOREM TAXES

The Town of Montgomery levies taxes on real and business personal property located within its boundaries. The Grant Parish Tax Assessor assesses the property values and prepares the Town's property tax roll. The Town bills and collects its own property taxes.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes levied in September or October are payable upon receipt of notice. All ad valorem tax revenues are recognized in compliance with NCGA Interpretation -3 and GASB Codification Section P70 (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period.

For the year ended July 31, 1998, taxes of 25.14 mills were levied on property with assessed valuations totaling \$990,343 and were dedicated as follows:

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1998

NOTE 9 AD VALOREM TAXES (CONTINUED)

General corporate purposes	11.29	mills
Sewer system maintenance fund	7.85	mills
Sewer system revenue	6.00	mills

Total taxes levied were \$24,898. At July 31, 1998, taxes receivable were \$0, net of estimated uncollectible taxes of \$0.

NOTE 10 RETIREMENT COMMITMENTS

All employees of the Town of Montgomery are covered under the Social Security System. The employees pay 6.2% of their total salary, while the Town contributes the same amount. The Town of Montgomery contributed \$7,544 to the System during the year as its share of contributions. The Town has no further liability to the system for employee benefits accruing from past services.

NOTE 11 LEASE OBLIGATIONS

The Town of Montgomery was not obligated under any capital or operating lease commitments at July 31, 1998.

NOTE 12 LITIGATION

The Town attorney advises that, as of July 31, 1998, the Town of Montgomery was involved in no pending litigation.

NOTE 13 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

NOTE 14 CLAIMS AND JUDGMENTS

The Town participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. The Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Town.

NOTE 15 DEFICIT FUND BALANCE/RETAINED EARNINGS

The sewer fund reflects an accumulated deficit in the amount of \$271,794 in unreserved retained earnings at July 31, 1998. This deficit is the result of continuing expenditures over revenues in the fund and depreciation of fixed assets acquired with contributed capital. Combining contributed capital with the deficit in unreserved retained earnings results in total fund equity of \$806,263.

SCHEDULE 1

TOWN OF MONTGOMERY, LOUISIANA
COMPARATIVE SCHEDULE OF EXPENDITURES
GOVERNMENTAL FUND TYPES - GENERAL FUND
FOR THE YEARS ENDED JULY 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
GENERAL GOVERNMENT		
Salaries and wages	\$ 17,220	\$ 18,369
Payroll taxes	1,842	3,847
Per-diem	4,725	5,205
Insurance	7,660	5,215
Printing and postage	2,302	2,967
Telephone	1,770	1,722
Legal and accounting	4,298	3,353
Office supplies & maintenance	946	4,057
Dues and subscriptions	246	1,021
Christmas decorations	716	250
Library	1,433	1,647
Miscellaneous	667	1,859
Capital outlay	408	0
	<hr/>	<hr/>
Total General Government	44,233	49,512
POLICE DEPARTMENT		
Salaries and wages	30,721	46,296
Payroll taxes	2,379	2,037
Auto fuel and repairs	11,829	12,694
Uniforms	534	304
Office supplies and maintenance	89	525
Telephone	916	1,264
Repairs	160	547
Equipment and supplies	873	3,414
Insurance	2,350	8,120
Training	0	85
Court fees	852	2,687
Capital outlay	0	1,708
	<hr/>	<hr/>
Total Police Department	50,703	79,681
FIRE DEPARTMENT		
Vehicle fuel and repairs	387	945
Insurance	4,850	4,501
Utilities	1,847	1,842
Training	116	0
Supplies	264	0
Miscellaneous	488	1,764
Capital outlay	1,598	3,998
	<hr/>	<hr/>
Total Fire Department	\$ 9,550	\$ 13,050

TOWN OF MONTGOMERY, LOUISIANA
COMPARATIVE SCHEDULE OF EXPENDITURES
GOVERNMENTAL FUND TYPES - GENERAL FUND
FOR THE YEARS ENDED JULY 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
STREET DEPARTMENT		
Street lights	\$ 8,605	\$ 9,991
Street maintenance	803	760
Capital outlay	<u>950</u>	<u>0</u>
Total Street Department	10,358	10,751
SANITATION DEPARTMENT		
Garbage collection	1,850	1,802
RECREATION DEPARTMENT		
Park expenses	<u>2,495</u>	<u>1,978</u>
TOTAL EXPENDITURES	<u>\$ 119,189</u>	<u>\$ 156,774</u>

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Public Improvement Sewer System - To accumulate monies for payment of the 1971 \$39,000 Public Improvement Sewer bonds, which are serial bonds due in annual installments, plus interest, through maturity in 2011. Debt service is financed by the levy of a specific ad valorem tax.

Public Improvement Sewer District #1 - To accumulate monies for payment of the 1971 \$39,000 Public Improvement Sewerage District #1 bonds, which are serial bonds due in annual installments, plus interest, through maturity in 2011. Debt service is financed by the levy of a specific ad valorem tax.

TOWN OF MONTGOMERY, LOUISIANA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JULY 31, 1998

	Public Improvement Sewer System 11-1-71	Public Improvement Sewerage Dist.#1 11-1-71	Totals	
			1998	1997
ASSETS				
Cash and cash equivalents	\$ 7,295	\$ 7,295	\$ 14,590	\$ 11,843
Due from other funds	<u>1,295</u>	<u>1,295</u>	<u>2,590</u>	<u>3,857</u>
Total Assets	<u>\$ 8,590</u>	<u>\$ 8,590</u>	<u>\$ 17,180</u>	<u>\$ 15,700</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 0
Fund balances				
Reserved for debt service	<u>8,590</u>	<u>8,590</u>	<u>17,180</u>	<u>15,700</u>
Total Liabilities and Fund Balances	<u>\$ 8,590</u>	<u>\$ 8,590</u>	<u>\$ 17,180</u>	<u>\$ 15,700</u>

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JULY 31, 1998

	Public Improvement Sewer System 11-1-71	Public Improvement Sewerage Dist.#1 11-1-71	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
REVENUES				
Ad valorem taxes	\$ 2,440	\$ 2,440	\$ 4,880	\$ 5,476
EXPENDITURES				
Principal retirement	1,000	1,000	2,000	2,000
Interest	<u>700</u>	<u>700</u>	<u>1,400</u>	<u>1,500</u>
Total expenditures	<u>1,700</u>	<u>1,700</u>	<u>3,400</u>	<u>3,500</u>
Excess of revenues over expenditures	740	740	1,480	1,976
FUND BALANCES, Beginning of year	<u>7,850</u>	<u>7,850</u>	<u>15,700</u>	<u>13,724</u>
FUND BALANCES, Ending of year	<u>\$ 8,590</u>	<u>\$ 8,590</u>	<u>\$ 17,180</u>	<u>\$ 15,700</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government council has decided that periodic determination of net income is appropriate for accountability purposes.

Water & Gas Fund - To account for the provision of water and gas services to 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 Fund - To account for the provision of sewer services to 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 MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS
JULY 31, 1998

	<u>Water and Gas</u>	<u>Sewer</u>	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 131,226	\$ 12,681	\$ 143,907	\$ 143,110
Investments	135,502	0	135,502	131,465
Accounts receivable	16,866	1,770	18,636	18,344
Accrued interest receivable	1,670	0	1,670	1,655
Prepaid expenses	499	446	945	855
Total Current Assets	285,763	14,897	300,660	295,429
Restricted Assets				
Bond reserve account				
Cash and cash equivalents	0	16,707	16,707	16,231
Bond contingency account				
Cash and cash equivalents	0	14,046	14,046	13,211
Bond sinking account				
Cash and cash equivalents	0	6,603	6,603	7,919
Customer deposits				
Cash and cash equivalents	8,561	0	8,561	7,489
Investments	44,189	0	44,189	43,104
Total Restricted Assets	52,750	37,356	90,106	87,954
Property, Plant and Equipment, net	855,827	883,040	1,738,867	1,808,744
Total Assets	\$ 1,194,340	\$ 935,293	\$ 2,129,633	\$ 2,192,127

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS
JULY 31, 1998

	<u>Water and Gas</u>	<u>Sewer</u>	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
Liabilities and Fund Equity				
Liabilities				
Current liabilities				
Revenue bonds payable	\$ 0	\$ 7,000	\$ 7,000	\$ 7,000
Accounts payable	7,437	882	8,319	13,857
Payroll taxes payable	1,734	0	1,734	1,179
Interest coupons payable	0	3,558	3,558	3,762
Due to other funds	0	2,590	2,590	3,857
Franchise agreement payable	1,485	0	1,485	473
Customers' deposits	<u>49,430</u>	<u>0</u>	<u>49,430</u>	<u>48,382</u>
Total Current Liabilities	60,086	14,030	74,116	78,510
Long-term liabilities				
Revenue bonds payable	<u>0</u>	<u>115,000</u>	<u>115,000</u>	<u>122,000</u>
Total Liabilities	60,086	129,030	189,116	200,510
Fund Equity				
Contributed capital				
Municipality	32,507	82,520	115,027	115,027
Federal revenue sharing	51,283	16,280	67,563	67,563
State revenue sharing	10,461	5,948	16,409	16,409
LCDBG - grants	558,119	731,187	1,289,306	1,268,634
EPA grant	0	151,766	151,766	151,766
FHA grant	<u>0</u>	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
Total Contributed Capital	652,370	1,040,701	1,693,071	1,672,399
Retained Earnings				
Reserve for debt service	0	37,356	37,356	26,599
Unreserved/(deficit)	<u>481,884</u>	<u>(271,794)</u>	<u>210,090</u>	<u>292,619</u>
Total Retained Earnings	<u>481,884</u>	<u>(234,438)</u>	<u>247,446</u>	<u>319,218</u>
Total Fund Equity	<u>1,134,254</u>	<u>806,263</u>	<u>1,940,517</u>	<u>1,991,617</u>
Total Liabilities and Fund Equity	<u>\$ 1,194,340</u>	<u>\$ 935,293</u>	<u>\$ 2,129,633</u>	<u>\$ 2,192,127</u>

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JULY 31, 1998

	<u>Water and Gas</u>	<u>Sewer</u>	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
OPERATING REVENUES				
Charges for services				
Water sales	\$ 69,240	\$ 0	\$ 69,240	\$ 66,998
Gas sales	219,277	0	219,277	237,143
Sewer service charges	0	24,173	24,173	22,368
Connection fees	400	0	400	395
Penalties	7,330	0	7,330	8,461
Taxes - ad valorem	0	8,837	8,837	7,088
Miscellaneous	12,926	0	12,926	12,915
Total Operating Revenues	309,173	33,010	342,183	355,368
OPERATING EXPENSES				
Salaries	67,163	0	67,163	64,052
Payroll taxes	4,715	0	4,715	5,432
Chemicals	16,138	0	16,138	13,868
Contract labor	0	0	0	2,338
Depreciation	58,656	42,556	101,212	90,946
Drug testing	526	0	526	528
Electricity	15,147	5,351	20,498	20,241
Fittings, pipe, general supplies	8,798	0	8,798	10,119
Franchise agreement	2,061	0	2,061	2,037
Gas purchased	84,323	0	84,323	88,545
Insurance	13,541	623	14,164	18,959
Legal, professional and audit	8,546	0	8,546	14,188
Office expense and postage	3,460	0	3,460	5,676
Miscellaneous	264	21	285	1,756
Repairs and maintenance	9,851	13,455	23,306	20,429
Rentals	1,616	0	1,616	865
Seminars, dues and subscriptions	870	0	870	1,475
Telephone	3,636	0	3,636	3,837
Truck expenses	6,128	0	6,128	7,243
Total Operating Expenses	305,439	62,006	367,445	372,534
Operating Income/(Loss)	3,734	(28,996)	(25,262)	(17,166)
Nonoperating Revenues/(Expenses)				
Interest income	6,809	927	7,736	11,172
Interest expense	0	(6,246)	(6,246)	(6,574)
Total Nonoperating Revenues/(Expenses)	\$ 6,809	\$ (5,319)	\$ 1,490	\$ 4,598

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS (CONTINUED)
YEAR ENDED JULY 31, 1998

	<u>Water and Gas</u>	<u>Sewer</u>	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
Income Before Operating Transfers	\$ 10,543	\$ (34,315)	\$ (23,772)	\$ (12,568)
Operating Transfers				
Operating transfers in	0	0	0	3,920
Operating transfers out	<u>(48,000)</u>	<u>0</u>	<u>(48,000)</u>	<u>(61,820)</u>
Total Operating Transfers	<u>(48,000)</u>	<u>0</u>	<u>(48,000)</u>	<u>(57,900)</u>
Net Income/(Loss)	(37,457)	(34,315)	(71,772)	(70,468)
Decrease in Retained Earnings				
Reserved for debt service	<u>0</u>	<u>(10,757)</u>	<u>(10,757)</u>	<u>(654)</u>
Net Change in Unreserved Retained Earnings for the Year	(37,457)	(45,072)	(82,529)	(71,122)
Retained Earnings - Unreserved - Beginning of year (deficit)	<u>519,341</u>	<u>(226,722)</u>	<u>292,619</u>	<u>363,741</u>
Retained earnings - Unreserved - End of year (deficit)	<u>\$ 481,884</u>	<u>\$ (271,794)</u>	<u>\$ 210,090</u>	<u>\$ 292,619</u>

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 1998

	Water and Gas	Sewer	Totals	
			1998	1997
Cash Flows From Operating Activities				\$ (17,166)
Operating income/(loss)	\$ 3,734	\$ (28,996)	\$ (25,262)	
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities				
Depreciation	58,656	42,556	101,212	90,946
Changes in operating assets and liabilities				
(Increase)/decrease in receivable	(392)	100	(292)	958
(Increase)/decrease in accrued interest	(15)	0	(15)	(93)
(Increase)/decrease in prepaid expenses	(13)	(77)	(90)	(29)
Increase/(decrease) in accounts payable	(5,233)	(305)	(5,538)	14
Increase/(decrease) in accrued liability	555	0	555	(420)
Increase/(decrease) in franchise agreemt	1,012	0	1,012	236
Increase/(decrease) in customer deposits	1,048	0	1,048	5,228
Net Cash Provided By Operating Activities	59,352	13,278	72,630	79,674
Cash Flows From Noncapital Financing Activities				
Interfund financing from/(to) other funds	0	(1,267)	(1,267)	3,920
Operating transfers to other funds	(48,000)	0	(48,000)	(61,820)
Net Cash Provided By/(Used) by Noncapital Financing Activities	(48,000)	(1,267)	(49,267)	(57,900)
Cash Flows Form Capital and Related Financing Activities				
Receipt of capital grants	0	20,672	20,672	42,501
Payment for capital acquisition	(13,595)	(17,740)	(31,335)	(92,274)
Principal payment sewer bonds	0	(7,000)	(7,000)	(6,000)
Interest paid on sewer bonds	0	(6,450)	(6,450)	(6,750)
Accrued interest payments - sewer bonds	0	0	0	176
Net Cash Provided By/(Used) by Capital and Related Financing Activities	(13,595)	(10,518)	(24,113)	(62,347)
Cash Flows From Investing Activities				
(Increase)/decrease in investments	(5,122)	0	(5,122)	48,727
Interest income	6,809	927	7,736	11,172
Net Cash Flows from Investing Activities	1,687	927	2,614	59,899
Net Change In Cash and Cash Equivalents	(556)	2,420	1,864	19,326
Cash and Cash Equivalents, Beginning of year	140,343	47,617	187,960	168,634
Cash and Cash Equivalents, End of year	\$ 139,787	\$ 50,037	\$ 189,824	\$ 187,960

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
SCHEDULE OF PER DIEM PAID THE BOARD OF ALDERMEN
YEAR ENDED JULY 31, 1998

<u>Members</u>	<u>Number of Meetings Attended</u>	<u>Compensation</u>
Marion Harrison	16	\$ 945
Paul Lang	19	1,060
Lillie Simmons	18	1,040
Clarence Walker	9	660
Betty Washington	17	<u>1,020</u>
		<u>\$ 4,725</u>

Compensation Paid Board Members

The schedule of compensation paid to the members of the Town Council of the Town of Montgomery, Louisiana, is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the Councilmen is included in the general administrative expenditures of the General Fund.

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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

The Honorable Stephen Gunn, Mayor
and Members of the Town Council
Montgomery, Louisiana

We have audited the financial statements of the Town of Montgomery, Louisiana, as of and for the year ended July 31, 1998, and have issued our report thereon dated October 30, 1998. We conducted our audit in accordance with generally accepted auditing standards 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 Montgomery'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Montgomery'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.

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

HINES, JACKSON & HINES

Natchitoches, Louisiana
October 30, 1998

TOWN OF MONTGOMERY, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED
JULY 31, 1998

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.

TOWN OF MONTGOMERY, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED
JULY 31, 1998

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Correct Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
1	The actual revenues of the general fund - fines and forfeitures account were \$20,970 (65.53 percent) less than budgeted amounts in 1998. Likewise, actual expenditures for the general fund - public safety (police) account were \$9,297 (15.00 percent) less than budgeted amounts in 1998.	The Town of Montgomery will closely monitor its budget and make amendments to it as necessary to accurately reflect expected revenues and expenditures and to satisfy legal requirements.	Susic Waters, Town Clerk	11/16/98

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The Honorable Stephen Gunn, Mayor
and Members of the Town Council
Montgomery, Louisiana

We are writing this letter as a follow-up to our recent audit of the general purpose financial statements of the Town of Montgomery, Louisiana as of July 31, 1998, and for the year then ended.

We offer the following observations and recommendations, which are intended to help improve record keeping procedures and general operations of the Town and are intended to be constructive in nature:

Existing Conditions:

We noted that actual revenues of the general fund - fines and forfeitures account were \$20,970 (65.53 percent) less than budgeted amounts in 1998. Likewise, actual expenditures for the general fund - public safety (police) were \$9,297 (15.50 percent) less than budgeted amounts in 1998.

LSA-R.S. 39:1310 requires the Town of Montgomery to amend its budget whenever actual revenues and expenditures are projected to be less than or exceed budgeted amounts by more than five percent.

Recommended Action:

We suggest the Town of Montgomery's adopted budget be closely monitored and amended whenever there has been a change in operations upon which the original adopted budget was developed. Care should be exercised to maintain actual revenues and expenditures within the five percent limit established by statute.

Management's Response:

The Town of Montgomery will closely monitor its budget and make amendments to it as necessary to accurately reflect expected revenues and expenditures and to satisfy legal requirements.

These comments and recommendations are not all inclusive and are not intended to be critical of anyone. We would like to thank the Town of Montgomery's management and staff for their courtesy and cooperation during our engagement. If you have any questions or concerns, please let us know.

Hines, Jackson & Hines
Natchitoches, Louisiana
October 30, 1998