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**TOWN OF MONTGOMERY, LOUISIANA
FINANCIAL REPORT
FOR THE YEAR ENDED
JULY 31, 1999**

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

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Release Date _____

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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, 1999, 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, 1999, 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 September 30, 1999, 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, 1998, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion dated October 30, 1998, on the general purpose financial statements of the Town of Montgomery, Louisiana.

Hines, Jackson & Hines
Natchitoches, Louisiana
September 30, 1999

COMBINED STATEMENTS - OVERVIEW

EXHIBIT A

TOWN OF MONTGOMERY, LOUISIANA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JULY 31, 1999

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>		<u>Account Groups</u>			<u>Total Memorandum Only</u>	
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>	<u>Long-Term Debt</u>	<u>General</u>		<u>1999</u>	<u>1998</u>	
						<u>General</u>	<u>Long-Term Debt</u>			
ASSETS										
Cash and cash equivalents	\$ 15,596	\$ 17,785	\$ 122,914	\$ 0	\$ 0	\$ 0	\$ 156,295	\$ 178,420		
Investments	0	0	112,737	0	0	0	112,737	135,502		
Accounts Receivable										
Trade	0	0	18,053	0	0	0	18,053	18,636		
Interest	0	0	1,346	0	0	0	1,346	1,670		
Other	5,688	0	0	0	0	0	5,688	2,425		
Prepaid Expenses	1,578	0	949	0	0	0	2,527	2,381		
Due from other funds	0	2,420	0	0	0	0	2,420	2,590		
Restricted Assets										
Cash and cash equivalents	0	0	42,490	0	0	0	42,490	45,917		
Investments	0	0	44,189	0	0	0	44,189	44,189		
Property, plant and equipment, net	0	0	1,678,496	486,179	0	0	2,164,675	2,199,915		
Amount available in debt service fund	0	0	0	0	20,205	0	20,205	17,180		
Amount to be provided for retirement of general long-term debt	0	0	0	0	0	3,795	3,795	8,820		
Total Assets	\$ 22,862	\$ 20,205	\$ 2,021,174	\$ 486,179	\$ 24,000	\$ 2,574,420	\$ 2,657,645			

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, 1999

	Governmental Fund Type		Proprietary Fund Type		Account Group		Total Memorandum Only	
	General Fund	Debt Service Funds	Enterprise	General Fixed Assets	General Long-Term Debt	1999	1998	
Liabilities and Fund Equity								
Liabilities								
Accounts payable	\$ 2,723	\$ 0	\$ 8,014	\$ 0	\$ 0	\$ 10,737	\$ 10,715	
Payroll taxes payable	825	0	1,838	0	0	2,663	2,712	
Accrued liabilities	0	0	76	0	0	76	1,485	
Customers' deposits	0	0	51,254	0	0	51,254	49,430	
Due to other funds	0	0	2,420	0	0	2,420	2,590	
Interest coupons payable	0	0	3,354	0	0	3,354	3,558	
General obligation bonds payable	0	0	0	0	24,000	24,000	26,000	
Revenue bonds payable	0	0	115,000	0	0	115,000	122,000	
Total Liabilities	3,548	0	181,956	0	24,000	209,504	218,490	
Fund equity:								
Contributed capital	0	0	1,717,394	0	0	1,717,394	1,693,071	
Investment in general fixed assets	0	0	0	486,179	0	486,179	461,048	
Retained earnings								
Reserved for debt service	0	0	32,030	0	0	32,030	37,356	
Unreserved	0	0	89,794	0	0	89,794	210,090	
Fund balance								
Reserved for debt service	0	20,205	0	0	0	20,205	17,180	
Unreserved	19,314	0	0	0	0	19,314	20,410	
Total Fund Equity	19,314	20,205	1,839,218	486,179	0	2,364,916	2,439,155	
Total Liabilities and Fund Equity	\$ 22,862	\$ 20,205	\$ 2,021,174	\$ 486,179	\$ 24,000	\$ 2,574,420	\$ 2,657,645	

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, 1999

	General	Debt Service	Totals (Memorandum Only)	
			1999	1998
REVENUES				
Taxes	\$ 23,658	\$ 6,325	\$ 29,983	\$ 27,862
Intergovernmental revenues	10,481	0	10,481	13,245
Licenses and permits	23,577	0	23,577	24,801
Fines and forfeitures	11,640	0	11,640	11,030
Interest	206	0	206	3,735
Miscellaneous	9,537	0	9,537	6,496
Total Revenues	79,099	6,325	85,424	87,169
EXPENDITURES				
General government	45,188	0	45,188	44,233
Public safety				
Police	64,832	0	64,832	50,703
Fire	8,540	0	8,540	9,550
Streets	9,673	0	9,673	10,358
Sanitation	2,400	0	2,400	1,850
Recreation	3,562	0	3,562	2,495
Debt Service				
Principal	0	2,000	2,000	2,000
Interest	0	1,300	1,300	1,400
Capital outlays	0	0	0	0
Total Expenditures	134,195	3,300	137,495	122,589
Excess of Revenues Over/ (Under) Expenditures	(55,096)	3,025	(52,071)	(35,420)
Other Financing Sources/(Uses):				
Operating transfers in	54,000	0	54,000	48,000
Excess of Revenues and other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(1,096)	3,025	1,929	12,580
Fund Balances, Beginning of year	20,410	17,180	37,590	25,010
Fund Balances, End of year	\$ 19,314	\$ 20,205	\$ 39,519	\$ 37,590

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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Fav./Unfav.</u>
REVENUES			
Taxes	\$ 23,500	\$ 23,658	\$ 158
Intergovernmental revenues	12,000	10,481	(1,519)
Licenses and permits	25,500	23,577	(1,923)
Fines and forfeitures	11,000	11,640	640
Interest	100	206	106
Miscellaneous	<u>6,400</u>	<u>9,537</u>	<u>3,137</u>
Total Revenues	78,500	79,099	599
EXPENDITURES			
General government	42,740	45,188	(2,448)
Public safety			
Police	64,430	64,832	(402)
Fire	7,390	8,540	(1,150)
Streets	8,820	9,673	(853)
Sanitation	2,380	2,400	(20)
Recreation	<u>3,400</u>	<u>3,562</u>	<u>(162)</u>
Total Expenditures	<u>129,160</u>	<u>134,195</u>	<u>(5,035)</u>
Excess of Revenues Over/(Under) Expenditures	(50,660)	(55,096)	(4,436)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	<u>54,000</u>	<u>54,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 3,340</u>	(1,096)	<u>\$ (4,436)</u>
FUND BALANCES, Beginning of year		<u>20,410</u>	
FUND BALANCES, End of year		<u>\$ 19,314</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, 1999 AND 1998

	<u>Enterprise</u>	
	<u>1999</u>	<u>1998</u>
OPERATING REVENUES		
Charges for services	\$ 286,749	\$ 320,420
Taxes - ad valorem	9,384	8,837
Miscellaneous	<u>9,065</u>	<u>12,926</u>
Total Operating Revenues	305,198	342,183
OPERATING EXPENSES		
Salaries	73,718	67,163
Payroll taxes	6,082	4,715
Chemicals	18,356	16,138
Contract labor	5,958	0
Depreciation	101,875	101,212
Electricity	22,185	20,498
Fittings, pipe, general supplies	13,803	8,798
Franchise agreement	1,971	2,061
Gas purchased	59,273	84,323
Insurance	13,516	14,164
Legal, professional and audit	7,600	8,546
Lines-survey/repair & maintenance	11,561	0
Office supplies and postage	4,455	3,460
Miscellaneous	964	811
Repairs and maintenance	24,074	23,306
Rentals	1,642	1,616
Seminars, dues and subscriptions	1,240	870
Telephone	4,496	3,636
Truck expenses	<u>7,097</u>	<u>6,128</u>
Total Operating Expenses	<u>379,866</u>	<u>367,445</u>
Operating Inome/(Loss)	(74,668)	(25,262)
Nonoperating Revenues/(Expenses)		
Grants	24,323	0
Interest income	8,942	7,736
Interest expense	<u>(5,896)</u>	<u>(6,246)</u>
Total Nonoperating Revenues/(Expenses)	<u>27,369</u>	<u>1,490</u>
Income/(Loss) Before Operating Transfers	(47,299)	(23,772)
Operating transfers in/(out)	<u>(54,000)</u>	<u>(48,000)</u>
Net Income/(Loss)	(101,299)	(71,772)
(Increase)/Decrease in Contributed Capital	(24,323)	0
(Increase)/Decrease in Retained Earnings Reserved for Debit Service	<u>5,326</u>	<u>(10,757)</u>
Net Change in Unreserved Retained Earnings for the year	(120,296)	(82,529)
Retained Earnings, Beginning of year	<u>210,090</u>	<u>292,619</u>
Retained Earnings, End of year	<u>\$ 89,794</u>	<u>\$ 210,090</u>

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, 1999 AND 1998

	Enterprise	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income/(loss)	\$ (74,668)	\$ (25,262)
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities		
Depreciation	101,875	101,212
Changes in operating assets and liabilities:		
(Increase)/ decrease in accounts receivable	583	(292)
(Increase)/ decrease in accrued interest receivable	324	(15)
(Increase)/ decrease in prepaid expenses	(4)	(90)
Increase /(decrease) in accounts payable	(305)	(5,538)
Increase /(decrease) in accrued liabilities	104	555
Increase /(decrease) in franchise agreement	(1,409)	1,012
Increase /(decrease) in customer deposits	1,944	1,048
Net Cash Provided by/(Used in) Operating Activities	28,444	72,630
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund financing from /(to) other funds	(170)	(1,267)
Operating transfers from /(to) other funds	(54,000)	(48,000)
Net cash provided/(used) by noncapital financing activities	(54,170)	(49,267)
Cash Flows From Capital and Related Financing Activities		
Receipt of capital grants	24,323	20,672
Payment for capital acquisition	(41,624)	(31,335)
Principal payment sewer bonds	(7,000)	(7,000)
Interest paid on sewer bonds	(6,100)	(6,450)
Net Cash Provided By/(Used in) Capital and Related Financing Activities	(30,401)	(24,113)
Cash Flows From Investing Activities		
(Increase)/decrease in investments	22,765	(5,122)
Interest income	8,942	7,736
Net Cash Flows Provided By/(Used in) Investing Activities	31,707	2,614
Net Increase/(Decrease) In Cash and Cash Equivalents	(24,420)	1,864
CASH AND CASH EQUIVALENTS, Beginning of year	189,824	187,960
CASH AND CASH EQUIVALENTS, End of year	\$ 165,404	\$ 189,824

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

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 1999

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, 1999

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, 1999

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, 1999

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, 1999

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, 1999

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, 1999, 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, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 AND 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, 1999, the Town of Montgomery has cash and cash equivalents totaling \$198,785, as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Petty cash	\$ 200	\$ 0	\$ 200	\$ 400
Demand deposits	15,396	17,785	62,851	96,032
Certificate of deposit - maturities 90 days or less	<u> 0</u>	<u> 0</u>	<u>102,353</u>	<u>102,353</u>
Total	<u>\$ 15,596</u>	<u>\$ 17,785</u>	<u>\$ 165,404</u>	<u>\$ 198,785</u>

The Town of Montgomery had investments totaling \$156,926 as of July 31, 1999. These investments consist of \$156,926 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, 1999, the Town of Montgomery had \$353,735 in bank deposits. These deposits were secured from risk by \$250,943 of federal deposit insurance and \$351,617 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, 1999

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at July 31, 1999, 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	\$ 1,210	\$ 0
Public Improvement Sewer District #1	1,210	0
Enterprise Funds:		
Sewer Fund	<u>0</u>	<u>2,420</u>
Totals	<u>\$ 2,420</u>	<u>\$ 2,420</u>

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Improvement Sewer System	Sewer Fund	\$ 1,210
Public Improvement Sewer District #1	Sewer Fund	<u>1,210</u>
Total		<u>\$ 2,420</u>

NOTE 4 CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance July 31, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance July 31, 1999</u>
Buildings and land	\$ 95,689	\$ 0	\$ 0	\$ 95,689
Improvements	43,454	1,500	0	44,954
Equipment	<u>321,905</u>	<u>23,631</u>	<u>0</u>	<u>345,536</u>
Total	<u>\$ 461,048</u>	<u>\$ 25,131</u>	<u>\$ 0</u>	<u>\$ 486,179</u>

NOTE 5 PROPERTY, PLANT AND EQUIPMENT - ENTERPRISE FUNDS

A summary of proprietary fund type property, plant and equipment at July 31, 1999 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	1,439,284	701,281	738,003	47,788
Equipment	5-15 yrs	124,159	55,108	69,051	10,613
Vehicles	5 yrs	26,176	24,876	1,300	600
SEWER FUND					
Sewer system	25-40 yrs	1,229,402	405,503	823,899	41,874
Plant and equipment	10 yrs	<u>44,776</u>	<u>25,033</u>	<u>19,743</u>	<u>1,000</u>
Totals		<u>\$ 2,890,297</u>	<u>\$ 1,211,801</u>	<u>\$ 1,678,496</u>	<u>\$ 101,875</u>

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1999

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	\$ 2,848,673	\$ (1,109,926)	\$ 1,738,747
Additions			
Plant and equipment	41,624	0	41,624
Depreciation	0	(101,875)	(101,875)
Balance, End of year	\$ 2,890,297	\$ (1,211,801)	\$ 1,678,496

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, 1999:

	General Obligation Bonds	<u>Enterprise Funds</u> Sewer Revenue Bonds
Debt outstanding July 31, 1998	\$ 26,000	\$ 122,000
Additions of new debt	0	0
Retirements and repayments	(2,000)	(7,000)
Debt outstanding July 31, 1999	\$ 24,000	\$ 115,000

Debt outstanding as of July 31, 1999, 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	\$ 12,000
Sewer District No. 1	5.0%	1/1/11	\$ 39,000	12,000
				\$ 24,000
<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	\$ 115,000

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1999

NOTE 6 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of July 31, 1999, including interest payments of \$48,450, are as follows:

Year Ended July 31	General Obligation Bonds	Enterprise Funds	
		Sewer Revenue Bonds	Total
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	\$ 31,800	\$ 155,650	\$ 187,450

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 appropriate 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, 1999

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, 1999, the Sewer Fund Retained Earnings were reserved for the purposes noted above as follows:

Bond Sinking Account	\$	7,489
Bond Reserve Account		17,184
Bond Contingency Account		<u>7,357</u>
Total	\$	<u>32,030</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, 1999, taxes of 25.14 mills were levied on property with assessed valuations totaling \$1,055,335 and were dedicated as follows:

TOWN OF MONTGOMERY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 1999

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 \$26,531. At July 31, 1999, 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 \$7,602 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, 1999.

NOTE 12 LITIGATION

The Town of Montgomery was involved in any litigation at July 31, 1999.

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 \$304,974 in unreserved retained earnings at July 31, 1999. 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 \$767,757.

SCHEDULE 1

TOWN OF MONTGOMERY, LOUISIANA
COMPARATIVE SCHEDULE OF EXPENDITURES
GOVERNMENTAL FUND TYPES - GENERAL FUND
FOR THE YEARS ENDED JULY 31, 1999 AND 1998

	1999	1998
GENERAL GOVERNMENT		
Salaries and wages	\$ 18,420	\$ 17,220
Payroll taxes	2,163	1,842
Per-diem	3,965	4,725
Insurance	3,150	7,660
Printing and postage	2,421	2,302
Telephone	1,353	1,770
Legal and accounting	7,668	4,298
Office supplies & maintenance	712	946
Dues and subscriptions	213	246
Christmas decorations	1,241	716
Library	1,405	1,433
Miscellaneous	657	667
Capital outlay	1,820	408
Total General Government	45,188	44,233
 POLICE DEPARTMENT		
Salaries and wages	24,415	30,721
Payroll taxes	1,629	2,379
Contract labor	2,268	0
Auto fuel and repairs	5,348	11,829
Uniforms	0	534
Office supplies and maintenance	0	89
Telephone	902	916
Repairs	619	160
Equipment and supplies	1,286	873
Insurance	4,070	2,350
Training	40	0
Court fees	1,094	852
Capital outlay	23,161	0
Total Police Department	64,832	50,703
 FIRE DEPARTMENT		
Vehicle fuel and repairs	956	387
Insurance	3,798	4,850
Utilities	1,442	1,847
Training	0	116
Supplies	1,754	264
Miscellaneous	590	488
Capital outlay	0	1,598
Total Fire Department	\$ 8,540	\$ 9,550

SCHEDULE 1

TOWN OF MONTGOMERY, LOUISIANA
COMPARATIVE SCHEDULE OF EXPENDITURES
GOVERNMENTAL FUND TYPES - GENERAL FUND (CONTINUED)
FOR THE YEARS ENDED JULY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
STREET DEPARTMENT	\$ 9,673	\$ 8,605
Street lights	0	803
Street maintenance	0	950
Capital outlay		
	<u>9,673</u>	<u>10,358</u>
Total Street Department		
 SANITATION DEPARTMENT		
Garbage collection	2,400	1,850
 RECREATION DEPARTMENT		
Park expenses	3,412	2,495
Capital outlay	<u>150</u>	<u>0</u>
	<u>3,562</u>	<u>2,495</u>
Total Recreation Department		
 TOTAL EXPENDITURES	<u>\$ 134,195</u>	<u>\$ 119,189</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, 1999

	Public Improvement Sewer System <u>11-1-71</u>	Public Improvement Sewerage Dist.#1 <u>11-1-71</u>	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
ASSETS				
Cash and cash equivalents	\$ 8,893	\$ 8,892	\$ 17,785	\$ 14,590
Due from other funds	<u>1,210</u>	<u>1,210</u>	<u>2,420</u>	<u>2,590</u>
Total Assets	<u>\$ 10,103</u>	<u>\$ 10,102</u>	<u>\$ 20,205</u>	<u>\$ 17,180</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 0
Fund balances				
Reserved for debt service	<u>10,103</u>	<u>10,102</u>	<u>20,205</u>	<u>17,180</u>
Total Liabilities and Fund Balances	<u>\$ 10,103</u>	<u>\$ 10,102</u>	<u>\$ 20,205</u>	<u>\$ 17,180</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, 1999

	Public Improvement Sewer System 11-1-71	Public Improvement Sewerage Dist.#1 11-1-71	Totals	
			1999	1998
REVENUES				
Ad valorem taxes	\$ 3,163	\$ 3,162	\$ 6,325	\$ 4,880
EXPENDITURES				
Principal retirement	1,000	1,000	2,000	2,000
Interest	650	650	1,300	1,400
Total expenditures	<u>1,650</u>	<u>1,650</u>	<u>3,300</u>	<u>3,400</u>
Excess of revenues over expenditures	1,513	1,512	3,025	1,480
FUND BALANCES, Beginning of year	<u>8,590</u>	<u>8,590</u>	<u>17,180</u>	<u>15,700</u>
FUND BALANCES, Ending of year	<u>\$ 10,103</u>	<u>\$ 10,102</u>	<u>\$ 20,205</u>	<u>\$ 17,180</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 SHEET
JULY 31, 1999

	<u>Water and Gas</u>	<u>Sewer</u>	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 111,398	\$ 11,516	\$ 122,914	\$ 143,907
Investments	112,737	0	112,737	135,502
Accounts receivable	16,253	1,800	18,053	18,636
Accrued interest receivable	1,346	0	1,346	1,670
Prepaid expenses	<u>503</u>	<u>446</u>	<u>949</u>	<u>945</u>
Total Current Assets	242,237	13,762	255,999	300,660
Restricted Assets				
Bond reserve account				
Cash and cash equivalents	0	17,184	17,184	16,707
Bond contingency account				
Cash and cash equivalents	0	7,357	7,357	14,046
Bond sinking account				
Cash and cash equivalents	0	7,489	7,489	6,603
Customer deposits				
Cash and cash equivalents	10,460	0	10,460	8,561
Investments	<u>44,189</u>	<u>0</u>	<u>44,189</u>	<u>44,189</u>
Total Restricted Assets	54,649	32,030	86,679	90,106
Property, Plant and Equipment, net	<u>834,854</u>	<u>843,642</u>	<u>1,678,496</u>	<u>1,738,867</u>
Total Assets	<u>\$ 1,131,740</u>	<u>\$ 889,434</u>	<u>\$ 2,021,174</u>	<u>\$ 2,129,633</u>

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JULY 31, 1999

	<u>Water and Gas</u>	<u>Sewer</u>	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
Liabilities and Fund Equity				
Liabilities				
Current liabilities				
Revenue bonds payable	\$ 0	\$ 7,000	\$ 7,000	\$ 7,000
Accounts payable	7,111	903	8,014	8,319
Payroll taxes payable	1,838	0	1,838	1,734
Interest coupons payable	0	3,354	3,354	3,558
Due to other funds	0	2,420	2,420	2,590
Franchise agreement payable	76	0	76	1,485
Customers' deposits	<u>51,254</u>	<u>0</u>	<u>51,254</u>	<u>49,430</u>
Total Current Liabilities	60,279	13,677	73,956	74,116
Long-term liabilities				
Revenue bonds payable	<u>0</u>	<u>108,000</u>	<u>108,000</u>	<u>115,000</u>
Total Liabilities	60,279	121,677	181,956	189,116
Fund Equity				
Contributed capital				
Municipality	32,507	82,520	115,027	115,027
Other	<u>644,186</u>	<u>958,181</u>	<u>1,602,367</u>	<u>1,578,044</u>
Total Contributed Capital	676,693	1,040,701	1,717,394	1,693,071
Retained Earnings				
Reserve for debt service	0	32,030	32,030	37,356
Unreserved/(deficit)	<u>394,768</u>	<u>(304,974)</u>	<u>89,794</u>	<u>210,090</u>
Total Retained Earnings	394,768	(272,944)	121,824	247,446
Total Fund Equity	1,071,461	767,757	1,839,218	1,940,517
Total Liabilities and Fund Equity	\$ 1,131,740	\$ 889,434	\$ 2,021,174	\$ 2,129,633

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JULY 31, 1999

	Water and Gas	Sewer	Totals	
			1999	1998
OPERATING REVENUES				
Charges for services				
Water sales	\$ 67,840	\$ 0	\$ 67,840	\$ 69,240
Gas sales	187,899	0	187,899	219,277
Sewer service charges	0	22,329	22,329	24,173
Connection fees	670	0	670	400
Penalties	7,412	599	8,011	7,330
Taxes - ad valorem	0	9,384	9,384	8,837
Miscellaneous	9,065	0	9,065	12,926
Total Operating Revenues	272,886	32,312	305,198	342,183
OPERATING EXPENSES				
Salaries	73,718	0	73,718	67,163
Payroll taxes	6,082	0	6,082	4,715
Chemicals	18,356	0	18,356	16,138
Contract labor	5,958	0	5,958	0
Depreciation	59,001	42,874	101,875	101,212
Electricity	16,065	6,120	22,185	20,498
Fittings, pipe, general supplies	13,803	0	13,803	8,798
Franchise agreement	1,971	0	1,971	2,061
Gas purchased	59,273	0	59,273	84,323
Insurance	12,816	700	13,516	14,164
Legal and professional	7,600	0	7,600	8,546
Lines - repair & maintenance	11,561	0	11,561	0
Office expense and postage	4,455	0	4,455	3,460
Miscellaneous	943	21	964	811
Repairs and maintenance	7,951	16,123	24,074	23,306
Rentals	1,642	0	1,642	1,616
Seminars, dues and subscriptions	1,240	0	1,240	870
Telephone	4,496	0	4,496	3,636
Truck expenses	7,097	0	7,097	6,128
Total Operating Expenses	314,028	65,838	379,866	367,445
Operating Income/(Loss)	(41,142)	(33,526)	(74,668)	(25,262)
Nonoperating Revenues/(Expenses)				
Grants	24,323	0	24,323	0
Interest income	8,026	916	8,942	7,736
Interest expense	0	(5,896)	(5,896)	(6,246)
Total Nonoperating Revenues/(Expenses)	\$ 32,349	\$ (4,980)	\$ 27,369	\$ 1,490

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS (CONTINUED)
YEAR ENDED JULY 31, 1999

	<u>Water and Gas</u>	<u>Sewer</u>	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
Income Before Operating Transfers	\$ (8,793)	\$ (38,506)	\$ (47,299)	\$ (23,772)
Operating Transfers in/(out)	<u>(54,000)</u>	<u>0</u>	<u>(54,000)</u>	<u>(48,000)</u>
Net Income/(Loss)	(62,793)	(38,506)	(101,299)	(71,772)
(Increase) in Contributed Capital	(24,323)	0	(24,323)	0
Decrease in Retained Earnings Reserved for debt service	<u>0</u>	<u>5,326</u>	<u>5,326</u>	<u>(10,757)</u>
Net Change in Unreserved Retained Earnings for the Year	(87,116)	(33,180)	(120,296)	(82,529)
Retained Earnings - Unreserved - Beginning of year	<u>481,884</u>	<u>(271,794)</u>	<u>210,090</u>	<u>292,619</u>
Retained earnings - Unreserved - End of year	<u>\$ 394,768</u>	<u>\$ (304,974)</u>	<u>\$ 89,794</u>	<u>\$ 210,090</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, 1999

	Water and Gas	Sewer	Totals	
			1999	1998
Cash Flows From Operating Activities				
Operating income/(loss)	\$ (41,142)	\$ (33,526)	\$ (74,668)	\$ (25,262)
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities				
Depreciation	59,001	42,874	101,875	101,212
Changes in operating assets and liabilities				
(Increase)/decrease in receivable	613	(30)	583	(292)
(Increase)/decrease in accrued interest	324	0	324	(15)
(Increase)/decrease in prepaid expenses	(4)	0	(4)	(90)
Increase/(decrease) in accounts payable	(326)	21	(305)	(5,538)
Increase/(decrease) in accrued liability	104	0	104	555
Increase/(decrease) in franchise agreement	(1,409)	0	(1,409)	1,012
Increase/(decrease) in customer deposits	1,944	0	1,944	1,048
Net Cash Provided By Operating Activities	19,105	9,339	28,444	72,630
Cash Flows From Noncapital Financing Activities				
Interfund financing from/(to) other funds	0	(170)	(170)	(1,267)
Operating transfers to other funds	(54,000)	0	(54,000)	(48,000)
Net Cash Provided By/(Used) by Noncapital Financing Activities	(54,000)	(170)	(54,170)	(49,267)
Cash Flows Form Capital and Related Financing Activities				
Receipt of capital grants	24,323	0	24,323	20,672
Payment for capital acquisition	(38,148)	(3,476)	(41,624)	(31,335)
Principal payment sewer bonds	0	(7,000)	(7,000)	(7,000)
Interest paid on sewer bonds	0	(6,100)	(6,100)	(6,450)
Net Cash Provided By/(Used) by Capital and Related Financing Activities	(13,825)	(16,576)	(30,401)	(24,113)
Cash Flows From Investing Activities				
(Increase)/decrease in investments	22,765	0	22,765	(5,122)
Interest income	8,026	916	8,942	7,736
Net Cash Flows from Investing Activities	30,791	916	31,707	2,614
Net Change In Cash and Cash Equivalents	(17,929)	(6,491)	(24,420)	1,864
Cash and Cash Equivalents, Beginning of year	139,787	50,037	189,824	187,960
Cash and Cash Equivalents, End of year	\$ 121,858	\$ 43,546	\$ 165,404	\$ 189,824

The accompanying notes are an integral part of this statement.

TOWN OF MONTGOMERY, LOUISIANA
SCHEDULE OF PER DIEM PAID TO THE MEMBERS OF THE TOWN COUNCIL
YEAR ENDED JULY 31, 1999

<u>Members</u>	<u>Number of Meetings Attended</u>	<u>Compensation</u>
Marion Harrison	14	\$ 890
Paul Lang	13	815
Lillie Simmons	14	835
Clarence Walker	8	440
Betty Washington	16	965
Paul Smith	1	<u>20</u>
		<u>\$ 3,965</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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1926-1999

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, 1999, and have issued our report thereon dated September 30, 1999. 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 solely for the information and use of the management of the Town of Montgomery and the Louisiana State Legislative Auditor and is not intended to be, and should not be, used by anyone other than the specified parties.

Hines, Jackson & Hines

Natchitoches, Louisiana

September 30, 1999

TOWN OF MONTGOMERY, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED
JULY 31, 1999

<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>
1	07/31/98	The actual revenues of the general fund - fines and forfeitures account were \$20,970 (65.53 percent) less than budgeted amounts in 1999. Likewise, actual expenditures for the general fund - public safety (police) account were \$9,297 (15.00 percent) less than budgeted amounts in 1999.	Yes	This finding has been resolved.

TOWN OF MONTGOMERY, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED
JULY 31, 1999

<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>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.