

TOWN OF MONTGOMERY, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JULY 31, 2004

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

Release Date 3/16/05

TABLE OF CONTENTS

| | |
|--|---------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| REQUIRED SUPPLEMENTAL INFORMATION (PART I) | |
| Management's Discussion and Analysis | 3-7 |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| Statement of Net Assets | 8 |
| Statement of Activities..... | 9 |
| FUND FINANCIAL STATEMENTS | |
| Governmental Funds | |
| Balance Sheet | 10 |
| Statement of Revenues, Expenditures and Changes in Fund Balance..... | 11 |
| Proprietary Funds | |
| Statement of Net Assets | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Net Assets | 13 |
| Statement of Cash Flows | 14 |
| NOTES TO FINANCIAL STATEMENTS..... | 15 - 21 |
| REQUIRED SUPPLEMENTAL INFORMATION (PART II) | |
| General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances (Budget and Actual) | 22 |
| SUPPLEMENTAL INFORMATION | |
| Schedule of Per Diem Paid to Board Members..... | 23 |
| Independent Auditors' Report On Compliance And On <i>Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards</i> | |
| | 24 - 25 |
| Schedule of Findings and Questioned Cost | 26 |
| Management's Corrective Action Plan..... | 27 |
| Schedule of Prior Year Findings and Questioned Cost | 28 |

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
M. DALE HARRINGTON, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

January 19, 2005

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of and for the year ended July 31, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Montgomery's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of July 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 31, 2004.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana CPAs

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Montgomery's basic financial statements. The Schedule of Per Diem Paid to Board Members is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Per Diem Paid to Board Members have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respected in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2005, on our consideration of Montgomery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town Of Montgomery

Management's Discussion And Analysis

July 31, 2004

This section of the Town of Montgomery's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended July 31, 2004. Because the Town is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will provide additional explanations of the Town's financial position and results of operations.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using *accounting methods similar to those used by private-sector companies*. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with utility and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are

Town Of Montgomery

Management's Discussion And Analysis

July 31, 2004

available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility and sewer services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

| | Governmental Activities | Business- Type Activities | Total |
|----------------------------------|------------------------------------|--|---------------------|
| <u>Assets:</u> | | | |
| Current and Other Assets | \$ 17,023 | \$ 301,317 | \$ 318,340 |
| Capital Assets | 189,257 | 2,104,330 | 2,293,587 |
| Total Assets | <u>206,280</u> | <u>2,405,647</u> | <u>2,611,927</u> |
| <u>Liabilities:</u> | | | |
| Current and Other Liabilities | 5,426 | 120,121 | 125,547 |
| Long-term Liabilities | --- | 66,000 | 66,000 |
| Total Liabilities | <u>5,426</u> | <u>186,121</u> | <u>191,547</u> |
| <u>Net Assets:</u> | | | |
| Invested in Capital Assets (Net) | 189,257 | 2,029,330 | 2,218,587 |
| Restricted | --- | 36,568 | 36,568 |
| Unrestricted | 11,597 | 153,628 | 165,225 |
| Total Net Assets | <u>\$ 200,854</u> | <u>\$ 2,219,526</u> | <u>\$ 2,420,380</u> |

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (91.7%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (1.5%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders. The remaining unrestricted net assets (6.8%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Town Of Montgomery

Management's Discussion And Analysis

July 31, 2004

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

| | <u>Govern- mental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|---|---|---|----------------------------|
| <u>Revenues:</u> | | | |
| Program Revenue: | | | |
| Charges for Services | \$ 29,041 | \$ 390,376 | \$ 419,417 |
| Operating Grants and Contributions | 17,635 | ---- | 17,635 |
| Capital Grants and Contributions | 12,230 | 487,438 | 499,668 |
| General Revenue: | | | |
| Property Taxes | 13,263 | ---- | 13,263 |
| Franchise Taxes | 13,485 | ---- | 13,485 |
| Occupational Licenses | 28,165 | ---- | 28,165 |
| Miscellaneous | 4,444 | 2,735 | 7,179 |
| Total Revenue | <u>118,263</u> | <u>\$ 880,549</u> | <u>\$ 998,812</u> |
| <u>Program Expenses:</u> | | | |
| General Government | 65,135 | ---- | 65,135 |
| Public Safety | | | |
| Police Department | 95,409 | ---- | 95,409 |
| Fire Department | 36,743 | ---- | 36,743 |
| Public Works | | | |
| Sanitation | 2,411 | ---- | 2,411 |
| Streets | 11,396 | ---- | 11,396 |
| Culture and Recreation | | | |
| Utility System | ---- | 402,028 | 402,028 |
| Sewer System | ---- | 76,405 | 76,405 |
| Total Expenses | <u>215,374</u> | <u>478,433</u> | <u>693,807</u> |
| Increase in Net Assets Before Transfers | (97,111) | 402,116 | 305,005 |
| Transfers | 75,770 | (75,700) | ---- |
| Change in Net Assets | (21,411) | 326,416 | 305,005 |
| Net Assets Beginning | <u>222,265</u> | <u>1,893,110</u> | <u>2,115,375</u> |
| Net Assets Ending | <u>\$ 200,854</u> | <u>\$ 2,219,526</u> | <u>\$ 2,420,380</u> |

Governmental activities decreased the Town's net assets by \$21,411. Depreciation on assets acquired with grant funds in previous years contributed to the decrease in net assets.

Business-type activities increased the Town's net assets by \$326,416. The increase is attributable to capital grants and contributions totaling \$487,438. In addition, expenses considered in arriving at the decrease in net assets included depreciation in the amount of \$120,301. Since the Town has been successful in securing grant funds to improve and replace components of its utility and sewer systems, it is not considered necessary to recover depreciation through operations. Changes in net assets excluding capital grants, contributions and depreciation for the water and sewer systems are presented as follows:

Town Of Montgomery

Management's Discussion And Analysis **July 31, 2004**

| | <u>Utility System</u> | <u>Sewer System</u> | <u>Total</u> |
|---|---------------------------|-------------------------|--------------------|
| Change in Net Assets | \$ 363,231 | \$ (36,815) | \$ 326,416 |
| Capital Grants and Contributions | (487,438) | --- | (487,438) |
| Depreciation | <u>76,245</u> | <u>44,053</u> | <u>120,301</u> |
| Change in Net Assets Excluding Capital Grants, Contributions and Depreciation | <u>\$ (47,962)</u> | <u>\$ 7,238</u> | <u>\$ (40,721)</u> |

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

For the year ended July 31, 2004, activity in governmental funds was limited to the general fund. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets in the government-wide presentation.

Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

The general fund is the only fund required by law to adopt a budget. A summary of the general fund budget compared to actual amounts is presented as follows:

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|-----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Total Revenues | \$ 170,200 | \$ 113,766 | \$ 118,263 | \$ 4,497 |
| Total Expenditures | <u>221,900</u> | <u>199,601</u> | <u>197,830</u> | <u>1,771</u> |
| Excess (deficiency) of revenues over expenditures | (51,700) | (85,835) | (79,567) | 6,268 |
| Operating Transfers | 51,700 | 85,835 | 75,700 | (10,135) |
| Net Change in Fund Balances | <u>\$ -----</u> | <u>\$ -----</u> | <u>\$ (3,867)</u> | <u>\$ (3,867)</u> |

The original budget adopted prior to the beginning of the fiscal year was amended to reflect an unanticipated shortfall in anticipated revenue from intergovernmental sources, fines, and court cost. The amendments also increased provisions for operating transfers from the utility fund in order to balance the budget.

Town Of Montgomery

Management's Discussion And Analysis

July 31, 2004

CAPITAL ASSET ADMINISTRATION

Grant funds have been utilized extensively for capital asset acquisition. Acquisitions utilizing grant funds are described as follows:

- Grant funds provided by the USDA water system improvements including new wells, lines and treatment facilities.
- Grants provided by the State were used to purchase equipment for mowing, law enforcement, fire protection and utility operations.

DEBT ADMINISTRATION

For the year ended July 31, 2004, the Town did not incur any additional debt. Furthermore, existing debt was limited to revenue bonds that were issued in connection with the construction of the sewer system. At year end revenue bonds payable totaled \$75,000. Principal payments totaled \$9,000, which represents 12% of the outstanding balance.

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

No specific factors are expected to effect operations in the near future. However, the Town's utility operations are effected by the cost of natural gas and fluctuations in gas prices during winter months could have an effect on the Town's operations.

Town of Montgomery

Statement of Net Assets

July 31, 2004

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 14,465 | \$ 196,891 | \$ 211,356 |
| Receivables (net) | 2,558 | 28,454 | 31,012 |
| Restricted assets | | | |
| Cash and cash equivalents | - | 38,834 | 38,834 |
| Receivables | - | 37,138 | 37,138 |
| Capital assets not subject to depreciation | 13,680 | 513,938 | 527,618 |
| Depreciable capital assets, net | <u>175,577</u> | <u>1,590,392</u> | <u>1,765,969</u> |
| Total assets | <u>206,280</u> | <u>2,405,647</u> | <u>2,611,927</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 5,426 | 15,341 | 20,767 |
| Meter deposits | - | 56,376 | 56,376 |
| Liabilities payable from restricted assets | | | |
| Accrued interest payable | - | 2,100 | 2,100 |
| Construction accounts payable | - | 37,304 | 37,304 |
| Long-term debt | | | |
| Due within one year | - | 9,000 | 9,000 |
| Due in more than one year | - | 66,000 | 66,000 |
| Total liabilities | <u>5,426</u> | <u>186,121</u> | <u>191,547</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 189,257 | 2,029,330 | 2,218,587 |
| Restricted for debt service | - | 36,568 | 36,568 |
| Unrestricted | <u>11,597</u> | <u>153,628</u> | <u>165,225</u> |
| Total net assets (deficit) | <u>\$ 200,854</u> | <u>\$ 2,219,526</u> | <u>\$ 2,420,380</u> |

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Activities **Year Ended July 31, 2004**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|-------------------|-------------------------|--|--|----------------------------|---------------------------------|------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Governmental Activities | Business- Type Activities | Total |
| <u>Governmental Activities:</u> | | | | | | | |
| General Government | \$ 65,135 | \$ 5,434 | \$ 6,020 | \$ 3,950 | \$ (49,731) | - | \$ (49,731) |
| Public Safety | | | | | | | |
| Police Department | 95,409 | 23,607 | 4,221 | - | (67,581) | - | (67,581) |
| Fire Department | 36,743 | - | 7,394 | 8,280 | (21,069) | - | (21,069) |
| Public Works | | | | | | | |
| Sanitation | 2,411 | - | - | - | (2,411) | - | (2,411) |
| Streets | 11,396 | - | - | - | (11,396) | - | (11,396) |
| Culture and Recreation | 4,280 | - | - | - | (4,280) | - | (4,280) |
| Total Governmental Activities | <u>215,374</u> | <u>29,041</u> | <u>17,635</u> | <u>12,230</u> | <u>(156,468)</u> | <u>-</u> | <u>(156,468)</u> |
| <u>Business-Type Activities:</u> | | | | | | | |
| Utility System | 402,028 | 355,162 | - | 487,438 | - | 440,572 | 440,572 |
| Sewer System | 76,405 | 35,214 | - | - | - | (41,191) | (41,191) |
| Total Business-Type Activities | <u>478,433</u> | <u>390,376</u> | <u>-</u> | <u>487,438</u> | <u>-</u> | <u>399,381</u> | <u>399,381</u> |
| Total Primary Government | <u>\$ 693,807</u> | <u>\$ 419,417</u> | <u>\$ 17,635</u> | <u>\$ 499,668</u> | <u>(156,468)</u> | <u>399,381</u> | <u>242,913</u> |

General Revenues:

| | | |
|-----------------------|-------------------|---------------------|
| Taxes: | | |
| Ad Valorem | 13,263 | 13,263 |
| Franchise | 13,485 | 13,485 |
| Occupational Licenses | 28,165 | 28,165 |
| Miscellaneous | 4,444 | 2,735 |
| Transfers | 75,700 | (75,700) |
| Total | <u>135,057</u> | <u>(72,965)</u> |
| Change in Net Assets | (21,411) | 326,416 |
| Net Assets Beginning | 222,265 | 1,893,110 |
| Net Assets Ending | <u>\$ 200,854</u> | <u>\$ 2,219,526</u> |

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Balance Sheet - Governmental Funds July 31, 2004

| | <u>General</u> |
|--|-------------------------|
| <u>Assets</u> | |
| Cash and cash equivalents | \$ 14,465 |
| Receivables (net) | <u>2,558</u> |
| Total assets | <u>\$ 17,023</u> |
| <u>Liabilities and Fund Balance</u> | |
| <u>Liabilities</u> | |
| Accounts payable | \$ <u>5,426</u> |
| Total liabilities | <u>5,426</u> |
| <u>Fund Balance</u> | |
| Unreserved | <u>11,597</u> |
| Total Fund Balances | <u>11,597</u> |
| Total Liabilities and Fund Balance | <u>\$ 17,023</u> |

Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Assets

| | |
|--|--------------------------|
| Total Fund Balances - Governmental Funds | \$ 11,597 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | <u>189,257</u> |
| Net Assets of Governmental Activities | <u>\$ 200,854</u> |

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Revenue, Expenditures and Changes in Fund Balance Governmental Funds Year Ended July 31, 2004

| | <u>General</u> |
|--|------------------|
| Revenues: | |
| Taxes: | |
| Ad valorem | \$ 13,263 |
| Franchise | 13,485 |
| Occupational licenses | 28,165 |
| Intergovernmental | 29,668 |
| Fines and Court Cost | 23,607 |
| Miscellaneous | 10,075 |
| Total revenues | <u>118,263</u> |
| Expenditures: | |
| Current | |
| General government | 57,733 |
| Public Safety | |
| Police department | 91,338 |
| Fire department | 19,926 |
| Public works | |
| Sanitation | 2,411 |
| Streets | 10,195 |
| Culture and recreation | 3,997 |
| Capital outlay | 12,230 |
| Total expenditures | <u>197,830</u> |
| Excess (deficiency) of revenues over expenditures | (79,567) |
| Other sources (uses) | |
| Operating transfers in | 79,300 |
| Operating transfers out | (3,600) |
| Net Change in Fund Balances | (3,867) |
| Fund balance - beginning of year | <u>15,464</u> |
| Fund balance - end of year | <u>\$ 11,597</u> |

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

| | |
|--|--------------------|
| Net change in fund balances of Governmental Funds | \$ (3,867) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period | <u>(17,544)</u> |
| Change in net assets of governmental activities | <u>\$ (21,411)</u> |

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Net Assets - Proprietary Funds

July 31, 2004

| | Business-Type Activities - Enterprise Funds | | |
|---|--|---------------------|---------------------|
| | Utility System | Sewer System | Total |
| <u>ASSETS:</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 170,634 | \$ 26,257 | \$ 196,891 |
| Receivables (net) | 24,116 | 4,338 | 28,454 |
| Total current assets | <u>194,750</u> | <u>30,595</u> | <u>225,345</u> |
| Restricted Assets: | | | |
| Cash and cash equivalents | 166 | 38,668 | 38,834 |
| Receivables (net) | 37,138 | - | 37,138 |
| Total restricted assets | <u>37,304</u> | <u>38,668</u> | <u>75,972</u> |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Capital assets not subject to depreciation | 513,938 | - | 513,938 |
| Depreciable capital assets, net | 952,851 | 637,541 | 1,590,392 |
| Total noncurrent assets | <u>1,466,789</u> | <u>637,541</u> | <u>2,104,330</u> |
| Total assets | <u>1,698,843</u> | <u>706,804</u> | <u>2,405,647</u> |
| <u>LIABILITIES:</u> | | | |
| Current Assets: | | | |
| Accounts payable | 10,889 | 4,452 | 15,341 |
| Meter deposits | 56,376 | - | 56,376 |
| Total current liabilities | <u>67,265</u> | <u>4,452</u> | <u>71,717</u> |
| Liabilities Payable From Restricted Assets: | | | |
| Accrued interest payable from restricted assets | - | 2,100 | 2,100 |
| Construction payables | 37,304 | - | 37,304 |
| Current portion of long-term debt | - | 9,000 | 9,000 |
| Noncurrent Liabilities: | | | |
| Long-term debt | - | 66,000 | 66,000 |
| Total liabilities | <u>104,569</u> | <u>81,552</u> | <u>186,121</u> |
| <u>NET ASSETS:</u> | | | |
| Invested in capital assets, net of related debt | 1,466,789 | 562,541 | 2,029,330 |
| Restricted for debt service | - | 36,568 | 36,568 |
| Unrestricted | 127,485 | 26,143 | 153,628 |
| Total net assets (deficit) | <u>\$ 1,594,274</u> | <u>\$ 625,252</u> | <u>\$ 2,219,526</u> |

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds Year Ended July 31, 2004

| | Business-Type Activities - Enterprise Funds | | |
|---|---|-------------------|---------------------|
| | Utility System | Sewer System | Totals |
| <u>Operating revenues:</u> | | | |
| Charges for services | \$ 340,551 | \$ - | \$ 340,551 |
| Charges for services pledged as security for revenue bonds | - | 34,335 | 34,335 |
| Miscellaneous | 14,611 | 879 | 15,490 |
| Total Operating Revenues | 355,162 | 35,214 | 390,376 |
| <u>Operating expenses:</u> | | | |
| Salaries and payroll taxes | 79,925 | - | 79,925 |
| Chemicals and supplies | 33,287 | 7,354 | 40,641 |
| Depreciation | 76,248 | 44,053 | 120,301 |
| Gas purchases | 139,060 | - | 139,060 |
| Insurance | 19,275 | 1,690 | 20,965 |
| Utilities | 25,143 | 6,194 | 31,337 |
| Repairs and maintenance | 22,595 | 11,300 | 33,895 |
| Miscellaneous | 6,495 | 1,965 | 8,460 |
| Total operating expenses | 402,028 | 72,556 | 474,584 |
| Operating income (loss) | (46,866) | (37,342) | (84,208) |
| <u>Non-operating revenues (expenses):</u> | | | |
| Interest income | 1,959 | 776 | 2,735 |
| Interest expense | - | (3,849) | (3,849) |
| Total Non-operating revenues | 1,959 | (3,073) | (1,114) |
| Income (loss) before capital contributions and transfers | (44,907) | (40,415) | (85,322) |
| <u>Contributions and transfers:</u> | | | |
| Capital contributions | 487,438 | - | 487,438 |
| Operating transfers in (out) | (79,300) | 3,600 | (75,700) |
| Change in net assets | 363,231 | (36,815) | 326,416 |
| Total net assets - beginning | 1,231,043 | 662,067 | 1,893,110 |
| Total net assets - ending | \$ 1,594,274 | \$ 625,252 | \$ 2,219,526 |

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Cash Flows - Proprietary Funds **Year Ended July 31, 2004**

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|---|--|---------------------|--------------------|
| | <u>Utility System</u> | <u>Sewer System</u> | <u>Totals</u> |
| <u>Cash flow from operating activities:</u> | | | |
| Cash received from customers | \$ 360,271 | \$ 33,772 | \$ 394,043 |
| Cash payments to suppliers of goods and services | (250,939) | (25,695) | (276,634) |
| Cash payments to employees for services | (79,926) | - | (79,926) |
| Net cash provided (used) by operating activities | 29,406 | 8,077 | 37,483 |
| <u>Cash flows from non-capital financing activities:</u> | | | |
| Operating transfers | (79,300) | 3,600 | (75,700) |
| Net cash provided (used) by non-capital financing activities | (79,300) | 3,600 | (75,700) |
| <u>Cash flows from capital and related financing activities:</u> | | | |
| Cash paid for capital assets | (450,134) | (3,600) | (453,734) |
| Cash received from capital grants | 450,300 | - | 450,300 |
| Principle paid on revenue bonds | - | (9,000) | (9,000) |
| Interest paid on debt instruments | - | (4,199) | (4,199) |
| Net cash provided (used) by capital and related financing activities | 166 | (16,799) | (16,633) |
| <u>Cash flows from investing activities:</u> | | | |
| Interest and other income | 1,959 | 776 | 2,735 |
| Net cash provided (used) by investing activities | 1,959 | 776 | 2,735 |
| Net increase (decrease) in cash | (47,769) | (4,346) | (52,115) |
| Beginning cash balance | 218,569 | 69,271 | 287,840 |
| Ending cash balance | 170,800 | 64,925 | 235,725 |
| Restricted cash and cash equivalents | 166 | 38,668 | 38,834 |
| Cash and cash equivalents | \$ 170,634 | \$ 26,257 | \$ 196,891 |
| <u>Reconciliation of operating income (loss) to net cash</u> | | | |
| Operating income (loss) | \$ (46,866) | \$ (37,342) | \$ (84,208) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 76,248 | 44,053 | 120,301 |
| (Increase) decrease in accounts receivable | 3,949 | (1,442) | 2,507 |
| (Increase) decrease in other assets | 834 | 213 | 1,047 |
| (Decrease) increase in accounts and other payables | (5,919) | 2,595 | (3,324) |
| (Decrease) increase in meter deposits | 1,160 | - | 1,160 |
| Net cash provided (used) by operating activities | \$ 29,406 | \$ 8,077 | \$ 37,483 |

Supplemental disclosures of cash flow information:

For the year ended July 31, 2004, there were no operating, financing, or investing activities that did not result in cash receipts or payments.

Town Of Montgomery

Notes To Financial Statements

July 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Montgomery (the Town) is operated under the provisions of a Home Rule Charter adopted July 18, 1998. Under the terms of the charter, the Town is governed by its Mayor and a Town Council consisting of five members. Services provided by the Town include police and fire protection, and street maintenance. The Town also operates a utility system that provides water and natural gas distribution. It also operates a sewer system that provides wastewater collection and treatment.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Montgomery for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Town to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon application of these criteria, there were no potential component units and all of the Town's activities were included in the primary government reporting entity.

Town Of Montgomery

Notes To Financial Statements July 31, 2004

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- Governmental Funds – The Town's only active major governmental fund is its general fund. The general fund is the primary operating fund and is used to account for all governmental activities.
- Proprietary Funds – Are used to account for business type activities. The operations of the Town's Utility System and Sewer System each utilize separate proprietary funds. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Town Of Montgomery

Notes To Financial Statements

July 31, 2004

Basis Of Accounting and Measurement Focus

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. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

| <u>Financial Statement Presentation</u> | <u>Basis of Accounting</u> | <u>Measurement Focus</u> |
|--|-----------------------------------|---------------------------------|
| Government-Wide Financial Statements | Accrual Basis | Economic Resources |
| Fund Financial Statements: | | |
| Governmental Funds | Modified Accrual Basis | Current Financial Resources |
| Proprietary Funds | Accrual Basis | Economic Resources |
| Fiduciary Funds | Accrual Basis | Economic Resources |

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of account and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from certain franchise taxes, fines and court cost is not recognized until it is collected.

Use Of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Town Of Montgomery

Notes To Financial Statements **July 31, 2004**

Budget Practices

Budget practices are governed by the Town's Home Rule Charter. In general, the Town Clerk under the supervision of the Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. If amendments are necessary, the amended budgets are prepared and approved in the same manner as the original budget. The budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles.

Capital Assets

Capital assets are carried at historical cost including interest incurred during construction. Infrastructure capital assets consisting of streets, bridges, sidewalks and drainage systems acquired before August 1, 2003 are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Cash And Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments.

New Financial Reporting Model:

As required by GASB Statement 34, for the year ended July 31, 2004, the Town has implemented a new financial reporting model. The new financial reporting model has resulted in numerous changes to accounting methods and financial statement presentation. Due to the nature and volume of the changes, the financial statements for the year ended July 31, 2004 cannot be readily compared to reports issued for previous years.

Statement Of Cash Flows:

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash balances at July 31, 2004 are presented as follows:

| | |
|--------------------------------------|-------------------|
| Cash and Cash Equivalents | \$ 211,356 |
| Restricted Cash and Cash Equivalents | 38,834 |
| <u>Total</u> | <u>\$ 250,190</u> |

The bank balance of \$251,291 was secured by FDIC insurance totaling \$105,453 and pledged investments held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) with a market value at July 31, 2004 of \$265,957. Even though the pledged securities are considered uncollateralized (Category 3), State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds on demand.

Town Of Montgomery

Notes To Financial Statements **July 31, 2004**

NOTE 3 - RECEIVABLES

At July 31, 2004, receivables consisted entirely of amounts due from utility customers. There were no material amounts of uncollectible receivables and there was no provision for bad debts.

NOTE 4 - LONG-TERM DEBT

The following is a summary of transactions involving long-term debt for the year ended July 31, 2004:

| | |
|------------------------------|-----------|
| Bonds payable, July 31, 2003 | \$ 84,000 |
| New issues | --- |
| Retirements | (9,000) |
| Bonds payable, July 31, 2004 | 75,000 |
| Due within one year | 9,000 |
| Due in more than one year | \$ 66,000 |

Long-term debt consisted of a \$220,000 Sewer Revenue Bond issue dated November 1, 1971, due in annual installments ranging from \$1,000 to \$12,000 plus interest at 5%, with the final installment due January 1, 2011.

A schedule of maturities of long-term debt follows for the years ended July 31:

| <u>Year Ended July 31th</u> | <u>Principal</u> | <u>Interest</u> |
|--|------------------|------------------|
| 2005 | \$ 9,000 | \$ 3,750 |
| 2006 | 10,000 | 3,300 |
| 2007 | 10,000 | 2,800 |
| 2008 | 11,000 | 2,300 |
| 2009 | 11,000 | 1,750 |
| 2010 - 2014 | 24,000 | 1,800 |
| <u>Total</u> | <u>\$ 75,000</u> | <u>\$ 15,700</u> |

Interest incurred in connection with long-term debt totaled \$3,849 and the entire balance has been presented as a direct expense of the Towns sewer system.

NOTE 5 - AD VALOREM TAXES

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended July 31, 2004, the Town levied 9.65 mills for general corporate purposes.

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

Town Of Montgomery

Notes To Financial Statements **July 31, 2004**

NOTE 6 – CAPITAL ASSETS

A summary of the property and equipment reported by the Town's enterprise funds at July 31, 2004 consists of the following:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|------------|-----------|-------------------|
| <u>Governmental Activities</u> | | | | |
| Land | \$ 13,680 | \$ ---- | \$ ---- | \$ 13,680 |
| <u>Assets Being Depreciated:</u> | | | | |
| Buildings and Improvements | \$ 118,703 | ---- | ---- | \$ 118,703 |
| Machinery and Equipment | 479,191 | 12,230 | ---- | 491,421 |
| Total | 597,894 | 12,230 | ---- | 610,124 |
| Less Accumulated Depreciation | 404,772 | 29,775 | ---- | 434,547 |
| Total Net of Depreciation | \$ 193,122 | (17,545) | \$ ---- | \$ 175,577 |
| <u>Business-Type Activities</u> | | | | |
| <u>Assets Not Subject to Depreciation</u> | | | | |
| Land | \$ 26,500 | \$ 10,515 | \$ ---- | \$ 37,015 |
| Construction in Progress | ---- | 476,923 | ---- | 476,923 |
| Total | \$ 26,500 | \$ 487,438 | \$ ---- | \$ 513,938 |
| <u>Assets Being Depreciated:</u> | | | | |
| Sewer System | \$ 1,283,427 | \$ 3,600 | ---- | \$ 1,287,027 |
| <u>Water and Gas System:</u> | | | | |
| Equipment | 133,783 | ---- | ---- | 133,783 |
| Gas Distribution System | 489,228 | ---- | ---- | 489,228 |
| Water Distribution System | 1,312,366 | ---- | ---- | 1,312,366 |
| Total | 3,218,804 | 3,600 | ---- | 3,222,404 |
| Less Accumulated Depreciation | 1,511,711 | 120,301 | ---- | 1,632,012 |
| Total Net of Depreciation | \$ 1,707,093 | (116,701) | \$ ---- | \$ 1,590,392 |

Depreciation expense reported by various functions is presented as follows:

| | |
|---|------------------|
| <u>Governmental Activities:</u> | |
| General Government | \$ 7,402 |
| Police Department | 4,071 |
| Fire Department | 16,817 |
| Streets | 1,201 |
| Culture and Recreation | 284 |
| Total Depreciation – Governmental Activities | \$ 29,775 |

Town Of Montgomery

Notes To Financial Statements **July 31, 2004**

Business-Type Activities:

| | |
|--|-------------------|
| Utility System | \$ 76,248 |
| Sewer System | 44,053 |
| Total Depreciation – Business-Type Activities | \$ 120,301 |

NOTE 7- RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town insures against these risks by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance. Settled claims resulting from these risk have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 - RESTRICTED RESOURCES

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants. Amounts on deposit in these accounts are reported as restricted cash. In addition, the corresponding amounts of net assets are also presented as restricted net assets.

NOTE 9 – OPERATING TRANSFERS

Details related to interfund transfers are presented as follows:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> | <u>Purpose</u> |
|--------------------|---------------------|------------------|---|
| General | Utility System | \$ 79,300 | Provide resources necessary for the general fund to meet its obligations. |
| Sewer System | General | (3,600) | Grant funds collected by the general fund were used to purchase equipment for operation of the sewer system |
| Total | | <u>\$ 75,700</u> | |

Town of Montgomery

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended July 31, 2004

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget |
|--|-----------------------|------------------|---------------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| <u>Revenues:</u> | | | | |
| Taxes | \$ 27,000 | \$ 27,164 | \$ 26,748 | \$ (416) |
| Occupational licenses | 27,500 | 30,895 | 28,165 | (2,730) |
| Intergovernmental | 65,000 | 26,372 | 29,668 | 3,296 |
| Fines and Court Cost | 45,000 | 24,672 | 23,607 | (1,065) |
| Miscellaneous | 5,700 | 4,663 | 10,075 | 5,412 |
| Total revenues | 170,200 | 113,766 | 118,263 | 4,497 |
| <u>General Government:</u> | | | | |
| Current | | | | |
| General government | 44,500 | 53,667 | 57,733 | (4,066) |
| Public Safety | | | | |
| Police department | 83,000 | 90,021 | 91,338 | (1,317) |
| Fire department | 17,400 | 30,719 | 19,926 | 10,793 |
| Public works | | | | |
| Sanitation | 2,500 | 2,379 | 2,411 | (32) |
| Streets | 9,000 | 9,203 | 10,195 | (992) |
| Culture and recreation | 2,000 | 2,615 | 3,997 | (1,382) |
| Capital outlay | 63,500 | 10,997 | 12,230 | (1,233) |
| Total expenditures | 221,900 | 199,601 | 197,830 | 1,771 |
| Excess (deficiency) of revenues over expenditures | (51,700) | (85,835) | (79,567) | 6,268 |
| Other sources (uses) | | | | |
| Operating transfers in | 51,700 | 85,835 | 79,300 | (6,535) |
| Operating transfers out | - | - | (3,600) | (3,600) |
| Net Change in Fund Balances | - | - | (3,867) | (3,867) |
| Fund balance - beginning of year | 15,464 | 15,464 | 15,464 | - |
| Fund balance - end of year | \$ 15,464 | \$ 15,464 | \$ 11,597 | \$ (3,867) |

TOWN OF MONTGOMERY
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the year ended July 31, 2004

| | |
|--------------------|----------------------------|
| Steven Gunn, Mayor | \$ 3,120 |
| Greg Varnell | 550 |
| Shane Bevill | 985 |
| Betty Washington | 1,020 |
| Patricia Gongre | 1,060 |
| Davis Silk | <u>965</u> |
| Total | <u><u>\$ 7,700</u></u> |

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
M. DALE HARRINGTON, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1808
TELECOPIER (318) 487-2027

January 19, 2005

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

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

We have audited the financial statements of the Town of Montgomery, as of and for the year ended July 31, 2004, and have issued our report thereon dated January 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of 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.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana CPAs

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

Roziar Harrington + McKay

ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town Of Montgomery

Schedule Of Findings And Questioned Cost For the Year Ended July 31, 2004

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the financial statements of the Town of Montgomery as of July 31, 2004 and for the year then ended expressed an unqualified opinion.
- The audit did not disclose any audit findings which are required to be reported as reportable conditions or material weaknesses.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the Town of Montgomery.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None.

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- None.

Town Of Montgomery

Management's Corrective Action Plan For the Year Ended July 31, 2004

| | |
|--|----------------|
| SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS. | |
| No findings that are material to the financial statements were reported. | Response – N/A |
| SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| No findings were reported in the schedule of findings and questioned costs. | Response – N/A |
| SECTION III MANAGEMENT LETTER | |
| No management letter was issued with this report. | Response – N/A |

Town Of Montgomery

Schedule Of Prior Year Findings And Questioned Cost For the Year Ended July 31, 2004

| | |
|--|----------------|
| SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS. | |
| No findings of this nature were reported as a result of the previous audit. | Response – N/A |
| SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| No findings of this nature were reported as a result of the previous audit. | Response – N/A |
| SECTION III MANAGEMENT LETTER | |
| No management letter was issued with the previous audit. | Response – N/A |