

**Town of Glenmora, Louisiana****Annual Financial Report****June 30, 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.

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# KNIGHT MASDEN

*Certified Public Accountants*

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A PROFESSIONAL ACCOUNTING CORPORATION

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October 24, 2004

## Independent Auditors' Report

The Honorable Tyrone L. Doyle, Mayor  
and Members of the Board of Aldermen  
Town of Glenmora, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Glenmora, Louisiana as of June 30, 2004 and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Glenmora's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Glenmora, Louisiana as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 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 June 30, 2004.

The Honorable Tyrone L. Doyle, Mayor  
and Members of the Board of Aldermen  
Town of Glenmora, Louisiana  
October 24, 2004

Management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 31, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2004, on our consideration of the Town of Glenmora, Louisiana's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying financial statements have been prepared assuming the Town of Glenmora, Louisiana will continue as a going concern. As discussed in Note 16, the Town water and sewer fund has had losses for 2003 and 2004, and the natural gas system had a loss for 2004. Cash flow problems from operations have caused the funds to deplete their reserves and are in default on their debt obligations. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Knight-Masden*

KNIGHT ◊ MASDEN

**Required Supplementary Information – Part I**  
**Management’s Discussion and Analysis**

**TOWN OF GLENMORA, LA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2004

As management of the Town of Glenmora, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Glenmora for the fiscal year ended June 30, 2004. This is this Town's initial year of implementation of GASB Statement No. 34.

**Financial Highlights**

The assets of the Town of Glenmora exceeded its liabilities by \$2,457,180 (net assets).

The Town's general fund reports an undesignated fund deficit of \$137,751 a decrease of \$49,639.

The Town of Glenmora incurred additional debt of \$15,000 in the most recent fiscal year.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

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

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs giving rise to the change *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Glenmora that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Glenmora include general government, public safety, recreation, public works, unclassified (employee benefits), interest on debt, assessments and capital outlay. The business-type activities of the Town of Glenmora include a water, sewer and gas department and a waste water treatment operation.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Glenmora, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Glenmora can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

**TOWN OF GLENMORA, LA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2004

The Town of Glenmora maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The Town of Glenmora adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-13 of this report.

**Proprietary funds.** The Town of Glenmora maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Glenmora uses enterprise funds to account for its Water, Sewer and Gas Department Operations.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information on the individual enterprise funds.

The basic proprietary fund financial statements can be found on pages 14-17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-29 of this report.

**Required Supplementary Schedules.** The required supplementary statements can be found immediately following the notes to the financial statements and consists of a Budgetary Comparison – General Fund.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Glenmora, governmental activity assets exceeded liabilities by \$507,358. Business-type activity assets exceeded liabilities by \$1,949,821 for a Town wide total of net assets of \$2,457,179 at the close of the most recent fiscal year. The Statement of Net Assets can be found on page 10 of this report.

The largest portion of the Town of Glenmora's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town of Glenmora uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town of Glenmora's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Glenmora is able to report positive balances in total net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

The Town is unable to provide comparative reports due to this being our first year of GASB Statement No. 34 reporting. Comparative reports will be available in future MD&A's.

	Governmental Activities	Proprietary Activities
Other Assets	136,853	260,102
Capital Assets	<u>823,517</u>	<u>5,112,187</u>
Total Assets	<u>960,370</u>	<u>5,372,289</u>
Liabilities	<u>453,011</u>	<u>3,422,468</u>

**TOWN OF GLENMORA, LA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2004**

**TOWN OF GLENMORA CHANGES IN NET ASSETS**

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Totals <u>2004</u>
Revenue:			
Program Revenues			
Charges for Services:	150,195	694,697	844,892
Operating Grants & Contributions	27,114	-	27,114
General Revenues:			
Sales Taxes	342,019	-	342,019
Ad Valorem Taxes	14,981	-	14,981
Alcohol Taxes	3,027	-	3,027
Licenses and Permits	47,404	-	47,404
Interest Earnings	213	685	898
Miscellaneous	100,873	33,622	134,495
Transfers	40,000	(40,000)	-
<b>TOTAL REVENUES</b>	<b>725,826</b>	<b>689,004</b>	<b>1,414,830</b>
Expenditures:			
General Government	189,655	-	189,655
Public Safety	331,906	-	331,906
Streets	158,007	-	158,007
Sanitation	64,260	-	64,260
Parks and Recreation	24,158	-	24,158
Water and Sewer	-	501,776	501,776
Natural Gas System	-	288,624	288,624
<b>TOTAL EXPENDITURES</b>	<b>767,986</b>	<b>790,400</b>	<b>1,558,386</b>
Changes in Net Assets	(42,160)	(101,396)	(143,556)
Net Assets – July 1, 2003	549,519	2,051,217	2,600,736
<b>Net Assets – June 30, 2004</b>	<b>507,359</b>	<b>1,949,821</b>	<b>2,457,180</b>

**TOWN OF GLENMORA, LA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2004

**Financial Analysis of the Government's Funds**

As noted earlier, the Town of Glenmora uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town of Glenmora's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Glenmora governmental funds reported a combined ending deficit balance of \$19,621. Of this total amount, there is a deficit of \$52,584 that is unreserved and undesignated fund balance. The other portion of the fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to account for debt service.

The general fund is the central operating fund of the Town of Glenmora. At the end of the current fiscal year, the unreserved fund balance of the general fund was a deficit of \$137,751, while total fund balance reached a deficit of \$19,261. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The fund balances that should be used for comparison are both negative, which gives a clear indication that the town has experienced losses in its general fund and there is no excess revenues to carryover to future years.

The fund balance of the Town of Glenmora's general fund decreased by \$49,369 during the current fiscal year. Key factors in this decrease are as follows:

1. Revenues continue to be depressed,
2. Increases in the amounts spent for insurance and capital improvements and
3. Inability of proprietary fund to transfer sufficient amounts to the general fund.

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

Unrestricted net assets of the Town's Utility fund amounted to a deficit of \$762,586, a decrease of \$91,222 due mostly to depreciation of capital assets and an increase in insurance costs. The Town's Gas fund net assets amounted to \$145,475 a decrease of \$10,174 from the previous year which can be attributed mostly to increasing insurance costs.

Due to the losses incurred in the proprietary funds, the town has been unable to make required sinking, reserve, and depreciation and contingency fund deposits. The Town has been in discussion with the USDA, the bond holder, about repayment terms.

**General Fund Budgetary Highlights**

The Town of Glenmora had a \$50,516 difference between the original and amended FY 2004 budget. Key factors of the changes are:

The following is a summary of the major changes.

Fines and Forfeitures Revenues	\$89,000
Grants and Entitlements Revenues	(\$27,000)
Interest Revenues	(\$9,000)
Other Revenues	(\$29,810)
General Government Expense	\$70,000

The town had a large increase in the amount of fines being issued and collected during this fiscal year which created a need to amend the budget. The Town did not receive as much as anticipated in grants, interest or various other revenues. Also, the expenditures associated with the general operations showed significant increases at the time the budget was amended, but there were many items that needed to be reclassified, so the budget was amended even though a true need was not there. There were other immaterial changes up and down in all of the various accounts, but the above items represent the major changes.

These budget amendments were authorized by the Town's Board of Aldermen; The Town of Glenmora has a strong purchase policy to prevent unnecessary departmental over expenditures. All expenditures are approved by the Town Clerk or Mayor and over expenditures are normally held to over-time and other unavoidable or unanticipated situations.

**TOWN OF GLENMORA, LA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2004

**Capital Assets and Debt Administration**

**Capital Assets.** The Town of Glenmora's capital assets for its governmental type activities as of June 30, 2004 amounts to \$1,487,497. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and infrastructure. The town has elected as a phase III GASB No. 34 government not to retroactively capture infrastructure assets.

The following are major governmental capital asset events for FY 2004:

Tractor Purchase

Police Vehicles Purchase

The following are major proprietary capital asset events for FY 2004:

Utility Truck Purchase

Completion of the water and sewer expansion projects

**Debt Administration.** At the end of the current fiscal year, the Town of Glenmora had total long-term debt of \$3,556,559. Of this amount, \$296,539 is on several notes payable and general obligation bonds for the general operation of the government and \$3,260,020 is for business-type activities. All debt is backed by the full faith and credit of the Town.

The Town issued \$15,000 of new long-term debt during the current fiscal year, for the completion of the water expansion project.

State statutes limit the amount of general obligation debt a municipality may issue to 10% of its total state assessed valuation. The current general obligation debt limitation for the Town of Glenmora is \$303,272 which exceeds the Town's outstanding general obligation debt of \$36,000.

**Economic Factors and Next Year's Budgets and Rates**

When creating the budget, the primary objective was to provide Town services while at the same time attempting to keep the tax rate low.

Our economic base is dependent on the nursery and timber industries. The Town is not dependent on a particular business to maintain its tax base. It has been able to maintain its tax base and to experience a stable economy from business development. However, there is a fine line between the services demanded and the services the Town tax payers can afford.

The Town is making upgrades to its downtown area with improved drainage, streets and sidewalks in an effort to attract new businesses. The four-laning of Highway 165 and the continued landscaping improvements have made our Town more attractive to passing traffic.

The Town has experienced rising costs in several areas over the past year. Insurance costs continue to rise at a rapid rate. Natural gas costs continue to fluctuate and fuel surcharges will be necessary to compensate for the additional costs. Debt service for the utility funds continue to cause deficits and decrease the funding available to support the general fund. Cost cutting efforts have been made to reduce the deficit; however rate increases will be necessary to comply with the bond covenants.

The Town has received a grant for a new community center that will be completed near the end of fiscal year 2005. The community center will be available for public use for a fee, which will help generate revenues for the general fund.

**Requests for information**

This financial report is designed to provide a general overview of the Town of Glenmora's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor, Town of Glenmora, P. O. Box 265, Glenmora, LA 71433.

## Basic Financial Statements

**TOWN OF GLENMORA  
STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 49,606	\$ 13,307	\$ 62,913
Receivables, net of allowances for uncollectable amounts			
Accounts receivable	-	72,965	72,965
Taxes receivable	25,026	-	25,026
Interest receivable	-	588	588
Notes receivable	61,271	-	61,271
Due from other funds	950	108,247	109,197
Restricted cash	-	64,995	64,995
Fixed assets, net	823,517	5,112,187	5,935,704
Total Assets	960,370	5,372,289	6,332,659
<b>LIABILITIES</b>			
Accounts payable	38,672	18,197	56,869
Deposits payable	-	42,974	42,974
Accrued interest payable	810	100,327	101,137
Due to other funds	108,247	950	109,197
Deferred revenue	8,743	-	8,743
Current portion of long-term debt			
Revenue bonds payable	-	3,244,199	3,244,199
Notes payable	32,963	1,763	34,726
Long-term debt			
Notes payable	263,576	14,058	277,634
Total Liabilities	453,011	3,422,468	3,875,479
<b>NET ASSETS</b>			
Investment in fixed assets, net of related debt	805,979	1,852,167	2,658,146
Restricted for:			
Loan repayment	32,963	146,713	179,676
Unrestricted	(331,583)	(49,059)	(380,642)
Total Net Assets	\$ 507,359	\$ 1,949,821	\$ 2,457,180

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

**TOWN OF GLENMORA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 189,655	\$ -	\$ -	\$ -	\$ (189,655)	\$ -	\$ (189,655)
Public safety	\$ 331,906	\$ 150,195	\$ -	\$ -	\$ (181,711)	\$ -	\$ (181,711)
Streets	\$ 158,007	\$ -	\$ 27,114	\$ -	\$ (130,893)	\$ -	\$ (130,893)
Sanitation	\$ 64,260	\$ -	\$ -	\$ -	\$ (64,260)	\$ -	\$ (64,260)
Parks and recreation	\$ 24,158	\$ -	\$ -	\$ -	\$ (24,158)	\$ -	\$ (24,158)
Total governmental activities	\$ 767,986	\$ 150,195	\$ 27,114	\$ -	\$ (590,677)	\$ -	\$ (590,677)
<b>Business-type activities:</b>							
Water and sewer	\$ 501,776	\$ 412,815	\$ -	\$ -	\$ -	\$ (88,961)	\$ (88,961)
Natural gas system	\$ 288,915	\$ 281,882	\$ -	\$ -	\$ -	\$ (7,033)	\$ (7,033)
Total business-type activities	\$ 790,691	\$ 694,697	\$ -	\$ -	\$ -	\$ (95,994)	\$ (95,994)
Total primary government	\$ 1,558,677	\$ 844,892	\$ 27,114	\$ -	\$ (590,677)	\$ (95,994)	\$ (686,671)
<b>Component units:</b>							
Total component units	-	-	-	-	-	-	-
<b>General revenues:</b>							
Sales tax revenue		342,019					342,019
Ad valorem tax revenue		14,981					14,981
Alcohol tax revenue		3,027					3,027
Licenses and permits		47,404					47,404
Interest earnings		213		976			1,189
Miscellaneous		100,873		33,622			134,495
Transfers		40,000		(40,000)			-
Total general revenues, special items, and transfers		548,517		(5,402)			543,115
Change in net assets		(42,160)		(101,396)			(143,556)
Net assets - beginning		549,519		2,051,217			2,600,736
Net assets - ending		\$ 507,359		\$ 1,949,821			\$ 2,457,180

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

**TOWN OF GLENMORA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,539	\$ 13,496	\$ 36,035
Receivables, net of allowances for uncollectable amounts			
Taxes receivable	25,026	-	25,026
Notes receivable	-	61,271	61,271
Due from other funds	-	30,161	30,161
Total Assets	<u>\$ 47,565</u>	<u>\$ 104,928</u>	<u>\$ 152,493</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 25,103	\$ -	\$ 25,103
Accrued interest payable	-	810	810
Due to other funds	131,858	5,600	137,458
Deferred revenue	-	8,743	8,743
Total Liabilities	<u>156,961</u>	<u>15,153</u>	<u>172,114</u>
 <b>Fund Balances</b>			
Reserved for:			
Loan repayment	28,355	4,608	32,963
Unreserved, reported in:			
General fund	(137,751)	-	(137,751)
Special revenue funds	-	76,631	76,631
Debt service funds	-	8,536	8,536
Total Fund Balances	<u>(109,396)</u>	<u>89,775</u>	<u>(19,621)</u>
 Total Liabilities and Fund Balances	<u>\$ 47,565</u>	<u>\$ 104,928</u>	

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.	805,977
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(278,997)</u>
Net assets of governmental activities	<u>\$ 507,359</u>

**TOWN OF GLENMORA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Sales tax revenue	\$ 342,019	\$ -	\$ 342,019
Ad valorem tax revenue	14,981	-	14,981
Alcohol tax revenue	3,026	-	3,026
Licenses and permits	47,404	-	47,404
Fines and forfeitures	150,195	-	150,195
Franchise fees	51,297	-	51,297
Mineral lease	3,455	-	3,455
Grants and entitlements	27,114	-	27,114
Interest earnings	96	117	213
Other revenue	36,717	9,403	46,120
<b>Total Revenues</b>	<u>676,304</u>	<u>9,520</u>	<u>685,824</u>
<b>EXPENDITURES</b>			
Current			
General government	172,722	10,438	183,160
Public safety	287,087	-	287,087
Streets	140,432	-	140,432
Sanitation	64,260	-	64,260
Parks and recreation	20,331	-	20,331
Debt service			
Principal	7,870	24,083	31,953
Interest	1,064	18,019	19,083
Capital improvements	35,327	-	35,327
<b>Total Expenditures</b>	<u>729,093</u>	<u>52,540</u>	<u>781,633</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(52,789)</u>	<u>(43,020)</u>	<u>(95,809)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	40,000	36,851	76,851
Transfers out	<u>(36,850)</u>	<u>-</u>	<u>(36,850)</u>
<b>Total Other Financing Sources and Uses</b>	<u>3,150</u>	<u>36,851</u>	<u>40,001</u>
Net Change in Fund Balance	(49,639)	(6,169)	(55,808)
Fund Balances - Beginning	(59,757)	95,944	36,187
Fund Balances - Ending	<u>\$ (109,396)</u>	<u>\$ 89,775</u>	<u>\$ (19,621)</u>

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

**TOWN OF GLENMORA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004**

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Water and Sewer	Natural Gas System	Totals	Internal Service Funds
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 18,283	\$ -	\$ 18,283	\$ 13,573
Receivables, net of allowances for uncollectable amounts				
Accounts receivable	54,709	18,256	72,965	-
Interest receivable	438	150	588	-
Due from other funds	60,986	86,873	147,859	-
Total Current Assets	<u>134,416</u>	<u>105,279</u>	<u>239,695</u>	<u>13,573</u>
Noncurrent Assets				
Restricted cash	35,018	29,977	64,995	-
Fixed assets, net	4,344,912	767,275	5,112,187	-
Total Noncurrent Assets	<u>4,379,930</u>	<u>797,252</u>	<u>5,177,182</u>	<u>-</u>
Total Assets	<u>4,514,346</u>	<u>902,531</u>	<u>5,416,877</u>	<u>13,573</u>
<b>LIABILITIES</b>				
Current Liabilities				
Cash overdraft	-	4,976	4,976	-
Accounts payable	18,067	130	18,197	13,573
Deposits payable	16,000	26,974	42,974	-
Accrued interest payable	85,331	14,996	100,327	-
Due to other funds	950	39,612	40,562	-
Revenue bonds payable	2,809,007	435,192	3,244,199	-
Note payable	1,763	-	1,763	-
Total Current Liabilities	<u>2,931,118</u>	<u>521,880</u>	<u>3,452,998</u>	<u>13,573</u>
Noncurrent Liabilities				
Note payable	14,058	-	14,058	-
Total Noncurrent Liabilities	<u>14,058</u>	<u>-</u>	<u>14,058</u>	<u>-</u>
Total Liabilities	<u>2,945,176</u>	<u>521,880</u>	<u>3,467,056</u>	<u>13,573</u>
<b>NET ASSETS</b>				
Restricted for:				
Loan repayment	100,958	45,755	146,713	-
Unrestricted	1,468,212	334,896	1,803,108	-
Total Net Assets	<u>\$ 1,569,170</u>	<u>\$ 380,651</u>	<u>\$ 1,949,821</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF GLENMORA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Water and Sewer	Natural Gas System	Total	Internal Service Funds
<b>Operating Revenues</b>				
Charges for services	\$ 412,815	\$ 281,882	\$ 694,697	\$ -
Other revenue	27,383	6,239	33,622	-
<b>Total Operating Revenues</b>	<u>440,198</u>	<u>288,121</u>	<u>728,319</u>	<u>-</u>
<b>Operating Expenses</b>				
Salaries and benefits	76,116	57,428	133,544	-
Gas purchases	-	106,887	106,887	-
Legal and professional	14,486	26,299	40,785	-
Repairs and maintenance	65,062	2,444	67,506	-
Insurance	43,293	49,673	92,966	-
Water well power	11,997	-	11,997	-
Telephone	3,623	2,381	6,004	-
Bad debts	6,574	1,745	8,319	-
Supplies	10,089	1,142	11,231	-
Office expense	6,247	3,512	9,759	-
Miscellaneous	6,558	8,189	14,747	-
Depreciation	99,433	29,215	128,648	-
<b>Total Operating Expenses</b>	<u>343,478</u>	<u>288,915</u>	<u>632,393</u>	<u>-</u>
<b>Operating Income (Loss)</b>	<u>96,720</u>	<u>(794)</u>	<u>95,926</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest earnings	356	620	976	-
Interest expense	(158,298)	-	(158,298)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(157,942)</u>	<u>620</u>	<u>(157,322)</u>	<u>-</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>(61,222)</u>	<u>(174)</u>	<u>(61,396)</u>	<u>-</u>
Transfers in	-	-	-	(424,478)
Transfers out	(30,000)	(10,000)	40,000	424,478
	<u>(30,000)</u>	<u>(10,000)</u>	<u>(40,000)</u>	<u>-</u>
<b>Change in Net Assets</b>	(91,222)	(10,174)	(101,396)	-
<b>Net Assets - Beginning</b>	<u>1,660,392</u>	<u>390,825</u>	<u>2,051,217</u>	<u>-</u>
<b>Net Assets - Ending</b>	<u>\$ 1,569,170</u>	<u>\$ 380,651</u>	<u>\$ 1,949,821</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF GLENMORA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Business Type Activities-		
	Enterprise Funds		
	Water and Sewer	Natural Gas System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 414,628	\$ 280,024	\$ 694,652
Payments to suppliers	(181,668)	(202,416)	(384,084)
Payments to employees	(76,116)	(57,428)	(133,544)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>156,844</u>	<u>20,180</u>	<u>177,024</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Loans (to)/from other funds	(30,405)	3,231	(27,174)
Transfers (out)	(30,000)	(10,000)	(40,000)
Change in restricted cash	(1,197)	53,888	52,691
<b>Net Cash Flows Provided (Used) by Noncapital Financing Activities</b>	<u>(61,602)</u>	<u>47,119</u>	<u>(14,483)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
New bond issue	15,000	-	15,000
Principal paid on bonds, loans, and leases	(5,764)	(50,433)	(56,197)
Interest paid on bonds, loans, and leases	(84,640)	(24,110)	(108,750)
Change in work in process	16,436	-	16,436
Purchases of capital assets	(18,935)	(787)	(19,722)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(77,903)</u>	<u>(75,330)</u>	<u>(153,233)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	356	620	976
<b>Net Cash Provided by Investing Activities</b>	<u>356</u>	<u>620</u>	<u>976</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,695	(7,411)	10,284
Cash and Cash Equivalents - Beginning of Year	588	2,726	3,314
Cash and Cash Equivalents - End of Year	<u>\$ 18,283</u>	<u>\$ (4,685)</u>	<u>\$ 13,598</u>

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

**TOWN OF GLENMORA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

**Reconciliation of Operating Income (Loss) to Net Cash Provided  
(Used) by Operating Activities**

Operating income (loss)	\$ 96,720	\$ (794)	\$ 95,926
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation expense	99,433	29,215	128,648
Change in assets and liabilities			
Increase in accounts receivable, net	(2,331)	(6,315)	(8,646)
Decrease in other assets	18,670	-	18,670
Decrease in customer deposits	(23,239)	(1,782)	(25,021)
Decrease in accounts payable	(32,409)	(144)	(32,553)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 156,844</u>	<u>\$ 20,180</u>	<u>\$ 177,024</u>

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

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Note 1 - Summary of Significant Accounting Policies

The Town of Glenmora (the "Town") was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

A. Basis of Presentation

The financial statements of the Town of Glenmora, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments*, issued in June 1999. The more significant of the government's accounting policies are described below.

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

B. Financial Reporting Entity

The financial statements of the Town consist only of the funds of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing body.

C. Funds

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The Town uses three categories of funds to account for financial transactions: governmental funds, proprietary funds, and internal service funds.

The Town reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to town policies.

The Town reports the following major proprietary funds:

The Water and Sewer Fund and the Natural Gas System Fund account for operations that are financed and operated in a manner similar to private business enterprise where the intent of the Town is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through fees.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for services provided to other departments of the Town on a cost reimbursement basis. The Special Revenue Fund accounts for monies loaned to enhance local economic development. The Debt Service Funds account for debt payments made on general obligation debt and a certificate of indebtedness.

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

The basic financial statements of the Town are comprised of the following:

- Government-wide financial statements,
- Fund financial statements and
- Notes to the financial statements

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Note 1 - Summary of Significant Accounting Policies (Continued)

The government wide financial statements report the operations of the Town as a whole; whereas the fund financial statements report the Town's major funds. Both the government-wide and fund financial statements categorize primary activities as either government or business type.

**Government-Wide Financial Statements**

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

The statement of net assets, both the governmental and business-type activities are presented on a consolidated basis by column. Net Assets, the difference between the Town's assets and liabilities, is displayed in three components consisting of "Invested in capital assets, net of related debt," "Restricted Net Assets" and "Unrestricted Net Assets."

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Fund Financial Statements**

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

In governmental fund financial statements, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred. Operating revenues are those that are associated with the sale and servicing of either water and sewer or natural gas. Non-operating revenues would be any other monies collected that are not associated with the sale of a product or service such as interest revenue.

**Other Financing Sources**

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

**Deferred Revenues**

The Town reports deferred revenue, if any, on the Fund Financial Statements balance sheet. Deferred revenues arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the Fund Financial Statement balance sheet, and expenses are recognized at the time liabilities are incurred.

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The Mayor and Board of Aldermen follow these procedures in establishing the budgetary data reflected in the financial statements.

1. The Town Clerk prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
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, the date of a public hearing is published.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After 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 ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
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 through an amended budget submitted by the Town Clerk. Monthly, the Board of Aldermen compares actual year-to-date revenues and expenditures to the current year budget, and they make necessary amendments to the budget. The Town Clerk is responsible for advising the Board of Aldermen when total revenues and/or expenditures are projected to have a variance in excess of what is allowed by Louisiana Revised Statutes.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General Fund, Special Revenue Fund and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Mayor and Board of Aldermen. Such amendments were not material in relation to the original appropriations.
8. Special Revenue Fund budgets for federal funds projects lasting more than one year are established at the time grant applications are submitted.

F. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

G. Investments

Investments are limited by Louisiana RS 33:2955. If the original maturities of investment exceed ninety days, they are classified as investments; however, if the original maturities are ninety days or less, they are classified as cash equivalents. As of June 30, 2004 the Town did not maintain any investments.

H. Inter-fund Transactions

Inter-fund transactions are reflected either as loans, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are referred to as due to/from other funds. They are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost. All other inter-fund transactions are recorded as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Fixed Assets

Capital outlays are recorded as expenditures of the General and Special Revenue funds and as assets in the government-wide financial statements to the extent the Town's capitalization threshold are met. It is the policy of the Town to capitalize asset acquisitions (including Enterprise Fund capital assets) with an initial cost in excess of \$500. All fixed assets are valued at historical cost or estimated historical cost if actual is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. As a Phase III government under GASB Statement No. 34, The Town elects not to retroactively report infrastructure assets prior to July 1, 2003. Interest expense incurred during construction will be capitalized beginning in FY 2005 on a government-wide basis. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Enterprise Fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets, other than land, are depreciated using the straight-line basis over the following useful lives:

Buildings and Improvements.....	20-40 years
Utility Production and Distribution Systems.....	25-50 years
Machinery and Equipment.....	10 years
Vehicles.....	3-5 years

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

J. Compensated Absences

An employee may earn up to 10 days vacation depending on type and length of service. Employees paid on an hourly basis may earn up to five days of sick leave per year. All other employees take sick leave on an as needed basis, however, they do not accrue any sick leave. All vacation and sick leave accrues on a calendar year basis with all unused sick leave being paid to the hourly basis employees in December. The Town's liability for accumulated-unpaid vacation and sick leave, all fund types, was considered to be immaterial and, therefore, excluded from the financial statements.

K. Bad Debts

Uncollectible amounts due for ad valorem taxes, customers' utility receivables and economic development loans receivable are recognized as bad debts through the establishment of an allowance account based on historical information which would indicate the uncollectibility of a portion of the particular receivable.

L. Fund Equity

Government-wide statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets – Net of Related Debt. This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
2. Restricted Net Assets. This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraint imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted Net Assets. This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved, with unreserved further split between designated and undesignated. The only reservation the Town has is for debt service. Proprietary fund equity is classified the same as in the government-wide financial statements.

M. Capitalized Interest

The Town does not use capitalized interest accounting or reporting.

N. Estimates

The preparation of financial statements 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 these estimates.

O. Restricted/Unrestricted Resources

The Town uses restricted resources to pay obligations related to debt service and customer deposits before using unrestricted resources to pay for these items.

Note 2 - Cash and Cash Equivalents

These deposits are stated at cost, which approximates market. Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). 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. The securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank. Cash and cash equivalents (bank balances) at June 30, 2004, are secured as follows:

Bank balances	<u>\$ 153,689</u>
Federal deposit insurance	\$ 153,689
Pledged securities (uncollateralized)	<u>          -</u>
Total	<u>\$ 153,689</u>

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

Note 3 - Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Taxes are due December 31 and become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended June 30, 2004, taxes of 5.21 mills were levied on properties with assessed valuations totaling \$3,032,723 and were dedicated to general corporate purposes.

Ad valorem tax receivable at June 30, 2004 was \$1,203.

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 4 - Accounts Receivable - Utility Systems**

Accounts receivable are composed of the following:

	Natural Gas	Water and Sewer System	Total
Billed Services	\$ 17,111	\$ 47,310	\$ 64,421
Unbilled Services	<u>5,183</u>	<u>18,361</u>	<u>23,544</u>
	22,294	65,671	87,965
Less allowance for doubtful accounts	<u>(4,038)</u>	<u>(10,962)</u>	<u>(15,000)</u>
	<u>\$ 18,256</u>	<u>\$ 54,709</u>	<u>\$ 72,965</u>

**Note 5 - Due to/from Other Funds**

<u>Receivables Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Natural Gas System	General Fund	\$ 85,873
General Fund	Water and Sewer Fund	1,791
Natural Gas System	Special Revenue Fund	1,000
Water and Sewer Fund	Natural Gas System	32,841
Debt Service Funds	Water and Sewer Fund	950
Water and Sewer Fund	Debt Service Funds	4,600
Special Revenue Fund	General Fund	<u>29,211</u>
		<u>\$ 156,266</u>

Balances between funds fluctuate from year to year and are not expected to be repaid within one year.

**Note 6 - Notes Receivable**

Funds previously received from the Louisiana Department of Urban and Community Affairs under the Community Development Block Grant Program are being used by a Special Revenue Fund (Economic Development). Loans are made to businesses to enhance economic development in the Town. As the loans are repaid, the monies are deposited into the Special Revenue Fund (Economic Development) with future use being restricted to economic development.

On October 1, 2003 the terms of these loans were renegotiated and the accrued interest was added back to the loan amount. The new terms allow for foreclosure if the loans become sixty days past due.

Notes Receivable is as follows:

Reggie's Restaurant		
\$56,800, 240 payments of \$410 per month including interest at 6%		\$ 51,902
Accrued interest refinanced		4,241
Glenmora Tailor Shop		
\$73,000, 180 payments of \$657 per month including interest at 7%		55,783
Accrued interest refinanced		<u>4,935</u>
		116,860
Less allowance for doubtful accounts		<u>(55,590)</u>
		<u>\$ 61,271</u>

Reggie's Restaurant loan was thirty days past due on June 30, 2004.

Excluding the effects of allowance for doubtful accounts, the amount not expected to be collected within one year is \$108,984.

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Note 7 - Restricted Cash

Certain enterprise fund resources are classified as restricted assets on the balance sheet because their use is restricted by applicable bond covenants. The "Utilities Revenue Bond and Interest Sinking Fund" account and the "Gas Utility Revenue Bond Fund" account are used to accumulate monies to be used for debt service payments within the next twelve months. The "Debt Service Reserve" account and the "Gas Utility Revenue Bond Reserve Fund" account are used to accumulate monies to make up potential future deficiencies in the sinking fund accounts identified above. The "Depreciation and Contingency Fund" accounts are used for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions for the Water and Sewer System and the Natural Gas System, respectively. In the presentation of restricted assets, the Town's account titles vary slightly from the legal account titles described above.

	2004	
	Water and Sewer	Natural Gas System
Revenue bond sinking fund account	\$ 8,695	\$ 18,779
Revenue bond reserve fund account	10,792	1,960
Depreciation and contingency fund	8,151	9,238
Customers' deposits	7,380	-
	<b><u>\$35,018</u></b>	<b><u>\$ 29,977</u></b>

Out of the total revenue bonds payable at June 30, 2004, \$44,575 is classified as liabilities payable from restricted assets in the natural gas system fund and \$100,959 from the water and sewer fund. Also payable from restricted assets are customer deposits of \$26,974 from the natural gas system fund and \$16,000 from the water and sewer fund.

Note 8 - Fixed Assets

Governmental Activity Fixed Assets

A summary of changes in governmental activity fixed assets is as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Fixed Assets Not Depreciated:</b>				
Land	<u>\$ 147,975</u>	\$ -	\$ -	<u>\$ 147,975</u>
<b>Total Fixed Assets Not Depreciated</b>	<u>147,975</u>	-	-	<u>147,975</u>
<b>Other Fixed Assets</b>				
Buildings	339,113	-	-	339,113
Equipment	194,750	17,477	-	212,227
Automobiles, trucks and tractors	469,592	17,850	-	487,442
Drainage improvements	<u>336,067</u>	-	-	<u>336,067</u>
<b>Total Other Fixed Assets</b>	<u>1,339,522</u>	<u>35,327</u>	-	<u>1,374,849</u>
Less Accumulated Depreciation	<u>(626,591)</u>	-	<u>(72,716)</u>	<u>699,307</u>
<b>Total Other Fixed Assets, Net of Depreciation</b>	<u>712,931</u>	<u>35,327</u>	<u>(72,716)</u>	<u>675,542</u>
<b>Total Fixed Assets, Net of Depreciation</b>	<u>\$ 860,906</u>	<u>\$ 35,327</u>	<u>\$ (72,716)</u>	<u>\$ 823,517</u>

The accumulated depreciation balances at June 30, 2003 were restated in accordance with the adoption of GASB Statement No. 34. Current year depreciation was charged to governmental functions as follows:

General Government	\$ 6,495
Public Safety	44,819
Streets	17,575
Sanitation	-
Parks and Recreation	<u>3,827</u>
<b>Total Governmental Activities Depreciation Expense</b>	<b><u>\$ 72,716</u></b>

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Proprietary Fund Type - Enterprise

The utility relocation project was completed during fiscal year 2004. The cost was split evenly between the two funds.

A summary of proprietary fund type plant and equipment at June 30, 2004, is as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Gas Utility</b>				
Distribution system	\$1,052,916	\$ -	\$ -	\$1,052,916
Gas lines	158,438	-	-	158,438
Meters and regulators	4,717	-	-	4,717
Utility Relocation	129,706	-	-	129,706
Equipment	<u>23,484</u>	<u>787</u>	<u>-</u>	<u>24,271</u>
Total Gas Utility	1,369,261	787	-	1,370,048
Less: Accumulated depreciation	<u>(573,555)</u>	<u>-</u>	<u>(29,215)</u>	<u>(602,770)</u>
Net Gas Utility	<u>795,706</u>	<u>787</u>	<u>(29,215)</u>	<u>767,278</u>
<b>Water Utility</b>				
Distribution system	260,861	-	-	260,861
Water wells	188,189	-	-	188,189
System expansion	-	1,256,196	-	1,256,196
Water tank	154,698	-	-	154,698
Fire hydrants	5,449	-	-	5,449
Meters	3,805	-	-	3,805
Utility Relocation	166,523	12,492	-	179,015
Work in process	1,245,409	10,787	(1,256,196)	-
Total Water Utility	<u>2,024,934</u>	<u>1,279,475</u>	<u>(1,256,196)</u>	<u>2,048,213</u>
<b>Sewer System</b>				
Sewer	1,732,476	-	-	1,732,476
Sewer expansion	-	1,544,215	-	1,544,215
Oxidation pond	4,410	-	-	4,410
Equipment	120,712	18,931	-	139,643
Utility Relocation	166,522	12,492	-	179,014
Work in process	1,544,215	-	(1,544,215)	-
Total Sewer System	<u>3,568,335</u>	<u>1,575,638</u>	<u>(1,544,215)</u>	<u>3,599,758</u>
Total Water and Sewer Systems	5,593,269	2,855,113	(2,800,411)	5,647,971
Less: Accumulated depreciation	<u>(1,203,629)</u>	<u>-</u>	<u>(99,433)</u>	<u>(1,303,062)</u>
Net Water and Sewer Systems	<u>4,389,640</u>	<u>2,855,113</u>	<u>(2,899,844)</u>	<u>4,344,909</u>
<b>Total Proprietary Fund Type</b>	<u>\$ 5,185,346</u>	<u>\$ 2,855,900</u>	<u>\$(2,929,059)</u>	<u>\$ 5,112,187</u>

Depreciation expense for the current year for the natural gas system fund is \$29,215 and \$99,413 for the water and sewer fund.

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 9 - Pension Plans**

The Town contributes to the Municipal Employees Retirement System (the system), a cost sharing multiple-employer, public retirement system (PERS), controlled and administered by a separate board of trustees. The system is composed of two distinct plans (Plan A and Plan B). Town employees are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System also provides retirement, death and disability benefits to plan members and beneficiaries. Benefits are established by state statute. The Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees Retirement System, 7937 Office Park Blvd., Baton Rouge, LA 70809 or by calling (225) 925-4810.

*Funding Policy.* Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Glenmora are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Glenmora contributions to the System under Plan B for the years ending June 30, 2004, 2003, and 2002, were \$12,385, \$9,691, and \$6,651, respectively, equal to the required contributions for each year.

**Note 10 - Changes in Long-Term Debt**

The following is a summary of debt transactions of the Town for the year ended June 30, 2004:

	Long-Term Liabilities June 30, 2003	Additions	Reductions	Long-Term Liabilities June 30, 2004	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 40,000	\$ -	\$ 4,000	\$ 36,000	\$ 4,000
Notes Payable	29,493	-	11,954	17,539	12,963
Certificate of Indebtedness	259,000	-	16,000	243,000	16,000
<b>Total Governmental Long-Term Liabilities</b>	<b>\$ 328,493</b>	<b>\$ -</b>	<b>\$ 31,954</b>	<b>\$ 296,539</b>	<b>\$ 32,963</b>
<b>Business Type Activities:</b>					
Revenue Bonds Payable	\$ 3,283,778	\$ 15,000	\$ 54,579	\$3,244,199	\$ 149,986
Notes Payable	17,438	-	1,617	15,821	2,630
<b>Total Business Type Long-Term Liabilities</b>	<b>\$ 3,301,216</b>	<b>\$ 15,000</b>	<b>\$ 56,196</b>	<b>\$3,260,020</b>	<b>\$ 152,616</b>

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

Note 10 - Changes in Long-Term Debt, Continued

Debt as of June 30, 2004, is comprised of the following individual items:

General Obligation Bonds:

\$112,000 issued January 1, 1973, Public Improvement Bonds due in annual installments of \$4,000 from 1999 through 2013, plus interest at 5%. (This issue secured by levy and collection of ad valorem taxes.) \$ 36,000

Revenue Bonds:

\$850,000, issued May 2, 1973, Water and Sewer Bonds - Due in various installments, including interest at 5%. (This issue is secured by revenues from the system.) \$ 388,500

\$1,136,000, issued October 10, 2001, Sewer Expansion Bonds - Due in various installments, including interest at 4 1/2%. (This issue is secured by revenues from the system.) 1,128,149

\$1,312,000, issued July 19, 2001, Water Expansion Bonds - Due in various installments, including interest at 4 1/2%. (This issue is secured by revenues from the system.) 1,292,358

\$1,110,000 issued October 6, 1980, Gas System Bonds - due in annual installments of \$74,514 through 2010, including interest at 5%. (This issue is secured by revenues from the system.) 435,192

**\$3,244,199**

Note Payable:

\$23,994 issued September 2003 - Due in monthly installments of \$729.95 including interest at 8.69% (Secured by a police car) \$ 10,523

\$38,512 dated April 12, 1985, rescheduled delinquent interest and principal payments to FHA on Water & Sewer Bonds, due in annual installments of \$2,630, including interest at 5% 15,821

\$40,030 issued June 1996 - Due in semi-annual installments of \$2,580, including interest at 5.1% (Secured by 94.98 acres of land) 7,016

**\$ 33,360**

Certificates of Indebtedness:

\$300,000 issued March 21, 2000 - Due in various installments, including interest at 6.25%. (This issue is secured by 1/2% sales tax.) \$ 243,000

Interest Expense:

The interest expense is reported in direct cost by function for 2004 as follows:

Governmental Funds:

General Government	\$18,251
Public Safety	889
Streets	-
Sanitation	-
Parks and Recreation	-
Total	<u>\$ 19,140</u>

Proprietary Funds:

Natural Gas System	\$100,959
Water and Sewer	<u>24,082</u>
Total	<u>\$125,041</u>

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 10 - Changes in Long-Term Debt, Continued**

The annual requirements to amortize all debt outstanding as of June 30, 2004, including approximate interest payments of \$2,818,179 are as follows:

Year Ending June 30	General Obligation	Revenue Bonds	Note Payable	Certificates of Indebtedness	Total
2005	\$ 5,800	\$ 258,600	\$ 16,549	\$ 30,125	\$ 311,074
2006	5,600	259,050	8,630	31,125	304,405
2007	5,400	258,400	2,630	31,063	297,493
2008	5,200	258,700	2,630	30,938	297,468
2009	5,000	258,900	2,630	30,750	297,280
2010-2014	18,000	1,020,232	7,890	156,063	1,202,185
2015-2019	-	679,430	-	30,813	710,243
2020-2024	-	679,430	-	-	679,430
2025-2029	-	679,430	-	-	679,430
2030-2034	-	679,430	-	-	679,430
2035-2039	-	679,430	-	-	679,430
<u>2040-2042</u>	-	<u>247,394</u>	-	-	<u>247,394</u>
<b>TOTALS</b>	<u><b>\$ 45,000</b></u>	<u><b>\$5,958,426</b></u>	<u><b>\$40,959</b></u>	<u><b>\$340,877</b></u>	<u><b>\$6,385,262</b></u>

There are a number of limitations and restrictions contained in the various bond indentures. Due to nonpayment the Town is in default on its revenue bonds, and have not complied with significant limitations and restrictions as follows:

1. The Town is required to maintain casualty insurance covering the Natural Gas System and Water and Sewer Systems. The Town does not maintain this coverage for the utility systems.
2. The Town is required to make payments into various restricted asset accounts as described in note 8. During the year ended June 30, 2004 the Town failed to make all required payments in the Utility depreciation and contingency, sinking and reserve accounts and in the Gas depreciation and contingency, sinking and reserve accounts.
3. The Town is past due on the following revenue bonds: (1) 2001 Water Expansion Bond, (2) 2001 Sewer Expansion Bond, and (3) 1973 Water and Sewer Bonds. The amount of both principal and interest that was past due at June 30, 2004 is \$36,375, \$33,347 and \$48,700 respectively. The last payment made on these bonds during the year ended June 30, 2004 was in January, 2004. The principal amount that is past due as well as the principal amount due next year is shown in the current portion of long-term debt.

The Town received approval from the State Bonding Commission for a \$232,000 refunding bond and a \$250,000 excess revenue certificate of indebtedness. As of the date of the report, neither bond had been purchased.

**Note 11 - Garbage Disposal Contract**

On July 15, 2003, the Town contracted for garbage disposal for a period of two years with monthly payments of \$5,355.

**Note 12 - Concentrations of Credit Risk**

The accounts receivable from utility customers and the economic development loans receivable are due from businesses and residents of the Town of Glenmora. The collectibility of these financial instruments is dependent upon the general economic conditions in the Town of Glenmora geographical area.

**Note 13 - Pending Litigation**

The Town of Glenmora is a defendant in various lawsuits. The Town's legal counsel is of the opinion the amount, if any, of damages for which the Town of Glenmora is responsible would be less than the policy limits of insurance carried by the Town of Glenmora.

**Town of Glenmora, LA**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 14 – Risk Management**

The Town of Glenmora 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. It is the policy of the Town to purchase commercial insurance for the risks of losses to which it is exposed. The Town does not maintain casualty coverage for the natural gas, and water and sewer systems. The financial impact, if any, resulting from inadequate insurance cannot be reasonably estimated.

**Note 15 – Mineral Lease**

On October 8, 1996, Chesapeake Operating, Inc. entered into a lease agreement with the Town for mineral rights on approximately 107.37 acres of land for a period of three years. The payments on the rights has been satisfied, and royalties are now being paid in the amount of 25% of all oil, gas, and other liquid or gaseous liquids produced, saved, or utilized, but not less than 1/8<sup>th</sup>. Amounts received under this lease agreement are reported as revenues in the general fund. The amount received in 2004 was \$3,871.

**Note 16 – Going Concern**

The Town's water and sewer fund experienced losses during 2003 and 2004, and the natural gas system fund experienced a loss in 2004. Continued losses have caused the water and sewer and natural gas system funds to deplete their reserves and the Town is in default on its debt obligations. The losses have also had an adverse effect on the general fund, since the water and sewer and natural gas system funds transfer income to the general fund each year. The expansion of the water and sewer lines have contributed to this problem, because a large number of customers that had committed to using the service have not joined the system. The Town's attorney is currently seeking legal remedy to enforce the commitment made by these customers.

**Note 17 - Economic Dependency**

The Town's Natural Gas System Fund is dependent on the prices of the Louisiana Municipal Gas Authority for the purchase of natural gas.

**Note 18 - Accounting Changes**

During fiscal year ended June 30, 2004, the Town adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

As a result of adopting GASB Statement No. 34, the Town must restate the fund balance of its governmental activities as net assets.

The gross cost and accumulated depreciation balances at June 30, 2003 were restated to capitalize general fixed assets and record depreciation in accordance with the adoption of GASB Statement No. 34.

Fund Balance at June 30, 2003	\$ 36,187
Long-Term Liabilities	(347,574)
Net Capital Assets (Restated)	<u>860,906</u>
Restated Net Assets as of June 30, 2004	<u>\$ 549,519</u>

**Note 19 – Subsequent Events**

The Town received final approval on July 14, 2004 for \$798,012 for construction of a new community center. The grant requires the Town to match \$83,711. Construction is expected to be completed in July 2005.

**Note 20 – Management's Corrective Plan**

The Town is currently reviewing ways to reduce expenditures and increase revenues to meet its debt obligations. United States Department of Agriculture Rural Development is assisting the town in resolving their delinquent accounts.

Required Supplementary Information -- Part II

**TOWN OF GLENMORA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over / (Under)
	Original	Final		
<b>REVENUES</b>				
Sales tax revenue	\$ 349,000	\$ 348,200	\$ 342,019	\$ (6,181)
Ad valorem tax revenue	20,000	17,000	14,981	(2,019)
Alcohol tax revenue	4,000	3,100	3,026	(74)
Licenses and permits	45,000	40,000	47,404	7,404
Fines and forfeitures	72,000	161,000	150,195	(10,805)
Franchise fees	48,000	50,700	51,297	597
Mineral lease	10,000	7,400	3,455	(3,945)
Grants and entitlements	55,000	28,000	27,114	(886)
Interest earnings	10,000	1,000	96	(904)
Other revenue	52,900	23,090	36,717	13,627
Total Revenues	<u>665,900</u>	<u>679,490</u>	<u>676,304</u>	<u>(3,186)</u>
<b>EXPENDITURES</b>				
Current				
General government	188,650	258,371	172,722	(85,649)
Public safety	273,400	291,125	287,087	(4,038)
Streets	171,699	160,099	140,432	(19,667)
Sanitation	61,500	64,260	64,260	-
Parks and recreation	-	-	20,331	20,331
Debt service				
Principal	8,700	9,200	7,870	(1,330)
Interest	700	700	1,064	364
Capital improvements	10,000	-	35,327	35,327
Total Expenditures	<u>714,649</u>	<u>783,755</u>	<u>729,093</u>	<u>(54,662)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(48,749)</u>	<u>(104,265)</u>	<u>(52,789)</u>	<u>51,476</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	35,000	40,000	40,000	-
Transfers out	(31,000)	(31,000)	(36,850)	(5,850)
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>9,000</u>	<u>3,150</u>	<u>(5,850)</u>
Net Change in Fund Balance	(44,749)	(95,265)	(49,639)	45,626
Fund Balances - Beginning	(59,757)	(59,757)	(59,757)	-
Fund Balances - Ending	<u>\$ (104,506)</u>	<u>\$ (155,022)</u>	<u>\$ (109,396)</u>	<u>\$ 45,626</u>

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

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# KNIGHT MASDEN

*Certified Public Accountants*

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A PROFESSIONAL ACCOUNTING CORPORATION

Coan I. Knight, Jr., CPA  
K. Martin Masden, CPA  
John E. Theriot II, CPA

October 24, 2004

Associate:  
Fredericka A. James, CPA

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Basic Financial  
Statements Performed in Accordance With  
Government Auditing Standards**

The Honorable Tyrone L. Doyle, Mayor  
and Members of the Board of Alderman  
Town of Glenmora, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Glenmora, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town of Glenmora, Louisiana's basic financial statements and have issued our report thereon dated October 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Town of Glenmora, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial 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 instances of noncompliance that is required to be reported under *Government Auditing Standards* and are listed in the Schedule of Findings as C2004-1, C2004-2 and C2004-3.

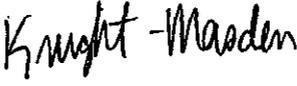
**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Glenmora, Louisiana's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Glenmora, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Reportable conditions are described in the accompanying Schedule of findings as R2004-1, R2004-2, R2004-3, R2004-4, R2004-5, R2004-6, R2004-7, R2004-8 and R2004-9.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider R2004-1, R2004-2, R2004-5 and R2004-8 to be material weaknesses.

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

  
KNIGHT  MASDEN

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Basic Financial  
Statements Performed in Accordance With  
Government Auditing Standards, continued**

**Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Glenmora.
2. Eight reportable conditions disclosed during the audit of the financial statements and three instances of noncompliance material to the financial statements are reported in the **Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards**. Four of the conditions are reported as a material weakness.

**Findings – Financial Statement Audit**

**Compliance**

C2004-1 Compliance with Asset Management Laws

According to LSA-RS 39:321-332 a complete physical inventory of the property of the agency is required annually. An inventory of assets was not taken in fiscal year ended June 30, 2004.

*Town's Reply – We are in the process of implementing procedures so this is completed by year end.*

C2004-2 Bond Covenants

- A. The Town is required to maintain casualty insurance covering the Natural Gas System and Water and Sewer Systems. The Town does not maintain this coverage for the utility systems.

*Town's Reply – Due to the high cost of insurance premiums, the Town does not maintain this coverage for the utility systems.*

- B. The Town is required to make payments into various restricted asset accounts as described in note 8. During the year ended June 30, 2004 the Town failed to make all required payments in the Utility depreciation and contingency, sinking and reserve accounts and in the Gas depreciation and contingency, sinking and reserve accounts.

*Town's Reply – We are working on improving collections to allow us to make the payments as scheduled.*

- C. The Town is currently behind in making payments on three of their revenue bonds. As of June 30, 2004 payments had not been made on the 2001 Water Expansion Bond, the 2001 Sewer Expansion Bond, and the 1973 Water and Sewer Bond since January, 2004.

*Town's Reply – Revenues and collections have increased, however a rate increase will be necessary to fund the required payments and reserve account deposits.*

C2004-3 Deficit Budget

According to LSA-RS 39:1305, the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year. The Town's original budget showed a deficit of \$104,506, and the final budget had a deficit of \$155,022.

*Town's Reply – The Town has taken cost cutting measures to try to decrease the deficit.*

**Reportable Conditions**

R2004-1 Reconciling Between Billing System and Accounting System

The billing system which is maintained by the assistant clerk and the general ledger which is maintained by the clerk are not reconciled on a regular basis. In the current fiscal year ending June 30, 2004 this resulted in January's billings being posted for both January and February in the general ledger.

We recommend the Town reconcile the receivable balance monthly between the billing system and the accounting system.

*Town's reply – We will implement procedures to ensure that this is done on a monthly basis.*

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Basic Financial  
Statements Performed in Accordance With  
Government Auditing Standards, continued**

R2004-2 Timeliness of Voiding Checks

The Town had 10 checks recorded twice on the books. By not voiding the checks that were never issued this caused cash to be understated by \$13,585.

We recommend that the Town review the bank reconciliation each month to see if there are outstanding items that should be removed.

**Town's reply** – We have implemented the above recommended procedure.

R2004-3 Maintaining Payroll Records

The Town has no formal policy for maintaining time sheets or records of attendance and hours worked for its employees. There is no way to track if an employee has been paid the proper amount.

We recommend implementing a time card system in which the employees use time cards and their supervisors approve them. The supervisor's time card should be approved by the mayor.

**Town's reply** – The clerk is working on developing procedures.

R2004-4 Documentation for Cash Disbursements

Policy for cash disbursements is that all disbursements should have supporting documentation. In 62 out of 180 cash disbursements examined, there was no supporting documentation. These transactions were internal transactions such as reimbursing the payroll account for payroll. Even though these are internal items, there should be some documentation such as a report from the payroll system showing the amount due from other funds.

We recommend following the cash disbursements procedures which states that all cash disbursements should have supporting documentation.

**Town's reply** – This procedure has already been put into place.

R2004-5 Voiding Checks

Currently voided checks are being kept in a file without any indication on the check that it is void.

We recommend developing a procedure that makes a voided check ineligible for use. This may be to write "void" across the face of the check using ink that cannot be erased or to cut out and shred the signature lines on the check.

**Town's reply** – The checks will be marked "VOID" on the face, and the signature area removed and destroyed.

R2004-6 Maintaining Records for Billings

In our tests of the billing system, we were unable to recreate the calculation of the amounts being billed to customers. This was due to meter readings not being reconciled between gallons read and gallons billed.

We recommend that the Town develop a procedure for checking the meter readings to the actual gallons billed.

**Town's reply** – We will develop a procedure for reconciling meter readings and input into the billing system.

R2004-7 Employees with Past Due Accounts

Three of the town's employees were more than two months behind on their utility bills. Town policy is that past due accounts will be disconnected. At the time of audit testing, these past due accounts had not been collected, nor had their service been disconnected.

We recommend that aggressive collection attempts be made to collect these past due amounts, and that if accounts are not brought current that they cut off their service.

**Town's reply** – The Mayor is working on getting these up to date.

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Basic Financial  
Statements Performed in Accordance With  
Government Auditing Standards, continued**

R2004-8 Check Signatures

All checks issued by the town are required to have two signatures. Of the one hundred eighty checks pulled for review sixty-two had only one signature on them. The one signature on the checks was the town clerk's signature who also writes all checks and prepares the bank reconciliation's.

We recommend following the current procedure and have two signatures on all checks.

Town's reply – Two signatures are now on every check.

R2004-9 Segregation of Duties

Segregation of conflicting duties within accounting functions is a basic internal control. Due to the Town's small accounting staff, the cost of further segregation of all conflicting duties may not be cost beneficial.

We recommend procedures be put into place for management to monitor the daily financial statement processing.

Town's Reply – The finance committee will review for procedures that can be put in place.

**Prior Year Findings:**

Compliance with Asset Management Laws

According to LSA-RS 39:324 a complete physical inventory of the property of the agency is required annually. An inventory of assets was not taken in fiscal year ended June 30, 2003.

This item has not been corrected and is included in the current year findings as C2004-1.

Bond Covenants

The Town is required to maintain casualty insurance covering the Natural Gas System and Water and Sewer Systems. The Town does not maintain this coverage for the utility systems.

This item has not been corrected and is included in the current year findings as C2004-2 A.

The Town is required to make payments into various restricted asset accounts as described in note 8. During the year ended June 30, 2003 the Town failed to make all required payments in the Utility depreciation and contingency, sinking and reserve accounts and in the Gas depreciation and contingency, sinking and reserve accounts.

This item has not been corrected and is included in the current year findings as C2004-2 B.

Bid Law

LSA-RS 38:2212 requires bids for purchases greater than \$15,000. A backhoe costing \$44,000 was purchased without public bid

The Town took bids after the close of fiscal year ended June 30, 2003 and the original vendor was the only one to put in a bid. No other bid law violations were found in the fiscal year ended June 30, 2004.

R2003-1 Traffic Ticket Maintenance

The Town's police officers issue tickets to persons violating traffic laws within the Town's limits. The Town does not maintain an organized, well-documented system for tracking the disposition of these traffic tickets. While testing these transactions, it took an excessive amount of time and effort to locate tickets and determine its final outcome. Eight of the sixty tickets requested were never located.

All tickets requested this year were located.

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Basic Financial  
Statements Performed in Accordance With  
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R2003-2 Traffic Ticket Fines

The Town's police officers issue tickets to persons violating traffic laws within the Town's limits. Three out of the sixty tickets reviewed were charged the wrong fine amount based on the violation listed on the ticket.

All fine amounts reviewed were correct for the violation.

R2003-3 Traffic Ticket Dismissals

Policy for dismissing traffic tickets states that the Judge sign off on dismissals requested by the mayor or if dismissed by the Judge that they will be dismissed while court is in session. Four out of the sixty tickets reviewed were dismissed without the Judge's approval and there was no record in the court minutes that the Judge had approved the tickets for dismissal.

The number of dismissals has decreased and proper procedures were followed on all dismissals reviewed.

R2003-4 Traffic Ticket Modification

Policy for modifying traffic tickets states that the modification must be done by the Chief of Police or the Mayor by placing their initials next to the modified amount. Five out of the sixty tickets reviewed were modified and one was dismissed by persons other than the Chief of Police or the Mayor.

Proper dismissal procedures were followed for dismissing tickets.

R2003-5 Changing of Judge's Orders Without Approval

According to ticket procedures, the Judge has the final authority on the tickets as to whether they are reduced, dismissed or should be paid in full. One of the tickets reviewed was reduced to a lesser fine after the Judge ordered the individual to pay the full amount. There is no supporting evidence that the Judge changed the fine after court proceedings ended.

No instances like this were found.

R2003-6 No Receipts For Fines Collected

Upon collection of fines, procedures state that a receipt should be issued to the individual paying the fine. For fifteen of the sixty traffic tickets reviewed, the tickets had been marked paid, but no receipt could be found.

Receipts were present for all tickets reviewed.

R2003-7 Employees with Past Due Accounts

In relation to the sewer and utility expansion project individuals could hook into the town's system and not use the town's system. However, if they signed up to connect to the system, they were agreeing that they would at least pay the minimum monthly bill for that location. Two of the town's employees signed up for the expansion, but have not been making the minimum monthly payments that were agreed to when they signed up. These two employees are now ten months behind on making payments.

This issue has not been corrected and our finding on this is located at R2004-7.

R2003-8 Check Signatures

All checks issued by the town are required to have two signatures. Of the sixty checks pulled for review all sixty had only one signature on them. The one signature on the checks was the town clerk's signature who also writes all checks and prepares the bank reconciliations.

This item has not been corrected and our finding on this can be found at R2004-8.