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TOWN OF MANY
MANY, LOUISIANA
JUNE 30, 2004

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Release Date 1-26-05

TOWN OF MANY
MANY, LOUISIANA
TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis (Unaudited)	1-2
<u>AUDITED FINANCIAL STATEMENTS</u>	
Independent Auditor's Report	3-4
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Government Funds:	
Balance Sheet	7
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Financial Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Proprietary Fund:	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	14-27
<u>REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)</u>	
Budget Comparison Schedules	28-31
Notes to Budgetary Comparison Schedules	32

TOWN OF MANY
MANY, LOUISIANA
TABLE OF CONTENTS

	<u>Page</u>
<u>OTHER SUPPLEMENTAL INFORMATION</u>	
Schedule of Expenditures of Federal Awards	33
Notes to the Schedule of Expenditures of Federal Awards	34
<u>OTHER REPORTS</u>	
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	37-38
Schedule of Findings and Questioned Costs	39
Status of Prior Audit Findings	40

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

TOWN OF MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

This section of the Town's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the Town's financial statements, which follow this section.

This is the first year the Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included. In future years a comparative analysis of government-wide data will be presented. In preparing the information summarized below, we have tried to keep in mind the disadvantage created by not presenting comparative information by expanding the narrative with our opinion of the changes from one year to the next.

FINANCIAL HIGHLIGHTS

- The Town's net assets increased 7% during the year to \$7,334,836.
- Program and general revenues amounted to \$3,241,088.
- Expenses for the year amounted to \$2,732,057.
- All of the Town's funds had excess revenues over expenses for the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts:

- Management's discussion and analysis
- Basic financial statements
- Supplementary information

The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail than the government-wide statements. The Town has a general fund, a street fund, a sales tax fund, a debt service fund and a proprietary (utility) fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net assets increased \$509,031, to \$7,334,836, during the year. The increase resulted from grant proceeds used for airport improvements and revenues exceeding expenses for the year.

Overall government revenues increased by 11% to \$3,241,088 this year, primarily due to the receipt of grant funds for airport improvements. Expenses did not increase as much, due primarily to decreased expenses related to street and recreation improvements, and decreased operating expenses for water and sewer services.

FINANCIAL ANALYSIS OF THE FUNDS

The Town's governmental funds, comprised of general fund, street fund, sales tax fund, and debt service fund, increased their fund balances \$139,268 during the year. Revenues increased 15%, primarily due to receipt of grant funds for improvements to the airport. Expenses increased only 2%, primarily due to decreased expenditures related to street and recreation improvements, offset by the expenses of the airport improvements.

TOWN OF MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

The Town's utility fund increased the fund balance \$168,918 during the year. Operating revenues decreased by 1%, primarily due to lower demand created by weather conditions. Operating expenses decreased by 4% , due primarily to lower expenses related to repair and maintenance of water lines.

During the year, the Town's general fund budget was amended to reflect the airport grant which was received and completed, and to increase police expenditures to correct an error which had been made in computing the original budgeted salary amount.

CAPITAL ASSETS

During 2004 the Town invested approximately \$1,320,000 in improvements to the water plant to increase operational efficiency, add the capability for increased water production, and improve treatment processes. The improvements are now on line and are being evaluated. These improvements were financed by loans from Louisiana's Department of Environmental Quality.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town is dependent on charges for services, and ad valorem and sales taxes, for approximately 38% and 44%, respectively, of the total revenues. No significant changes are expected in tax revenues, however sales tax revenues have increased approximately 3% during the 2005 year.

Operating expenses of the Town's utility fund are expected to increase by 5%. Charges for water and sewer services may have to be increased if significant additional expenditures are required at the water plant in order to meet the new trihalomethane (THM) water requirements.

The Town has received a grant for \$692,740, and a Louisiana capital outlay grant of \$300,000, to assist in the *completion of the water line replacement program which began several years ago. Completion of this project should result in future decreases in repair costs and water losses from leaks.* In addition, the Town will undertake a project to relocate certain water and sewer lines in connection with the Louisiana Highway 171 4-lane project. The estimated cost of this project is approximately \$265,000. This project is expected to be funded by Louisiana, however the Town will be responsible for 21% of the cost.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Kenneth Freeman, Mayor, P O Box 1330, Many, LA 71449.

AUDITED FINANCIAL STATEMENTS

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WILLIAM L. HIGHTOWER, CPA

December 17, 2004

The Honorable Kenneth Freeman, Mayor
Board of Aldermen
Town of Many
Many, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Many, Louisiana (the Town), as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Many, Louisiana's management. Our responsibility is to express opinions 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*, as of June 30, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2004 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

HMV

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The accompanying required supplementary information, consisting of management's discussion and analysis and budgetary comparison information on Pages 1 through 2 and 28 through 32 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.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Many, Louisiana basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Heard, McElroy & Vestal, LLP

Town of Many, Louisiana
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 311,878	\$ 432,240	\$ 744,118
Investments	376,949	826,152	1,203,101
Receivables	144,929	152,840	297,769
Due from other governments	3,500	-	3,500
Internal balances	281,394	(281,394)	-
Prepaid expenses	53,535	14,634	68,170
Capital assets, net of depreciation	760,583	7,612,464	8,373,047
Total assets	1,932,768	8,756,937	10,689,705
LIABILITIES			
Accounts payable	40,647	18,406	59,053
Accrued liabilities	51,478	23,266	74,744
Accrued interest payable	-	31,867	31,867
Deposits	-	86,801	86,801
Accounts payable - construction	-	117,051	117,051
Non-current liabilities			-
Due within one year	104,000	502,745	606,745
Due in more than one year	592,008	1,786,599	2,378,607
Total liabilities	788,133	2,566,735	3,354,868
NET ASSETS			
Invested in capital assets, net of related debt	760,583	5,284,345	6,044,928
Restricted for:			
Debt service	123,663	815,844	939,507
Prepaid items	53,535	-	53,535
Unrestricted	206,855	90,012	296,866
Total net assets	\$ 1,144,635	\$ 6,190,201	\$ 7,334,836

Town of Many, Louisiana
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 502,633	\$ 214,350	-	-	\$ (288,283)	\$ -	\$ (288,283)
Public safety	563,435	77,848	79,505	-	(406,082)	-	(406,082)
Public works	448,148	132,829	59,617	277,496	21,794	-	21,794
Depreciation - unallocated	45,213	-	-	-	(45,213)	-	(45,213)
Cultural and recreation	143,827	-	-	-	(143,827)	-	(143,827)
Interest on long-term debt	27,080	-	-	-	(27,080)	-	(27,080)
Total governmental activities	<u>1,730,336</u>	<u>425,026</u>	<u>139,122</u>	<u>277,496</u>	<u>(888,692)</u>	<u>-</u>	<u>(888,692)</u>
Business-type activities:							
Water system	1,001,722	848,206	-	-	-	(153,516)	(153,516)
Total business-type activities	<u>1,001,722</u>	<u>848,206</u>	<u>-</u>	<u>-</u>	<u>(888,692)</u>	<u>(153,516)</u>	<u>(153,516)</u>
Total primary government	<u>2,732,057</u>	<u>1,273,232</u>	<u>139,122</u>	<u>277,496</u>	<u>(888,692)</u>	<u>(153,516)</u>	<u>(1,042,207)</u>
General revenues:							
Taxes:							
Ad valorem taxes					405,441	-	405,441
Sales taxes					1,070,374	-	1,070,374
Investment earnings					11,275	21,639	32,914
Miscellaneous					42,509	-	42,509
Transfers					(210,121)	210,121	-
Total general revenues and transfers					<u>1,319,478</u>	<u>231,760</u>	<u>1,551,238</u>
Change in net assets					430,786	78,244	509,031
Net assets - beginning					713,849	6,021,283	6,735,132
DEQ loan proceeds from General Fund					-	90,674	90,674
Net assets - ending					<u>\$ 1,144,635</u>	<u>\$ 6,190,201</u>	<u>\$ 7,334,836</u>

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

Town of Many, Louisiana
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2004

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 146,147	\$ 141,095	-	\$ 24,637	\$ 311,878
Investments, at cost	130,000	159,002	-	87,947	376,949
Receivables	56,333	88,537	-	60	144,929
Due from other governments	-	3,500	-	-	3,500
Due from other funds	306,959	247,117	-	12,680	566,756
Prepaid items	40,636	12,899	-	-	53,535
Total assets	\$ 680,075	\$ 652,149	\$ -	\$ 125,323	\$ 1,457,548

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	37,240	1,292	-	2,115	40,647
Accrued liabilities	41,355	10,123	-	-	51,478
Due to other funds	107,327	178,489	-	(455)	285,362
Total liabilities	185,923	189,904	-	1,660	377,487
Fund balances:					
Reserved for:					
Debt service	-	-	-	123,663	123,663
Prepaid items	40,636	12,899	-	-	53,535
Unreserved	453,517	449,346	-	-	902,863
Total fund balances	494,153	462,245	-	123,663	1,080,060
Total liabilities and fund balances	\$ 680,075	\$ 652,149	\$ -	\$ 125,323	\$ 1,457,548

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

Town of Many, Louisiana
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED June 30, 2004**

Fund balances - total governmental funds	\$	1,080,060
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$	1,947,115
Less accumulated depreciation	<u>(1,186,532)</u>	760,583
<p>Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
General Obligation Bonds Payable	(642,490)	
Accumulated unpaid vacation	<u>(53,518)</u>	<u>(696,008)</u>
Net assets of governmental activities	\$	<u><u>1,144,635</u></u>

Town of Many, Louisiana
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED June 30, 2004

	GENERAL	STREET	SALES TAX	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
Revenues:						
Taxes	\$ 262,976	\$ -	\$ 1,070,374	\$ -	\$ 142,465	\$ 1,475,815
Licenses and permits	214,350	-	-	-	-	214,350
Intergovernmental	409,618	7,000	-	-	-	416,618
Charges for services	132,829	-	-	-	-	132,829
Fines	77,848	-	-	-	-	77,848
Interest	3,562	3,821	767	-	3,125	11,275
Miscellaneous	42,509	-	-	-	-	42,509
Total revenues	1,143,692	10,820	1,071,141	-	145,589	2,371,243
Expenditures:						
Current:						
General government	219,874	255,310	20,535	-	-	495,719
Public safety:						
Police	563,435	-	-	-	-	563,435
Highways and streets	62,676	115,000	-	-	-	177,676
Sanitation	198,821	-	-	-	-	198,821
Hart airport	71,350	-	-	-	-	71,350
Capital outlay	239,645	-	-	-	-	239,645
Recreation	89,741	-	-	-	-	89,741
Maintenance	301	-	-	-	-	301
Public relations	54,086	-	-	-	-	54,086
Debt service:						
Principal retirement	-	-	-	-	104,000	104,000
Interest and fiscal charges	-	-	-	-	27,080	27,080
Total expenditures	1,499,929	370,310	20,535	-	131,080	2,021,853
Excess (deficiency) of revenue over expenditures	(356,237)	(359,489)	1,050,606	-	14,509	349,389
Other financing sources (uses):						
Operating transfers in	420,242	420,242	-	-	90,574	931,058
Operating transfers out	-	-	(1,050,606)	-	(90,574)	(1,141,179)
Total other financing sources (uses)	420,242	420,242	(1,050,606)	-	-	(210,121)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	64,006	60,753	-	-	14,509	139,268
Fund balances, beginning of year	430,147	401,492	-	-	109,154	940,792
Fund balances, end of year	\$ 494,153	\$ 462,245	\$ -	\$ -	\$ 123,663	\$ 1,080,060

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

Town of Many, Louisiana
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2004

Net change in fund balances - total governmental funds \$ 139,268

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 239,645	
Depreciation expense	<u>(45,213)</u>	194,432

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. *The detail of these differences in the treatment of long-term debt and related items is as follows:*

Principal payments	<u>104,000</u>	104,000
--------------------	----------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in compensated absences	<u>(6,914)</u>	<u>(6,914)</u>
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Change in net assets of governmental activities		<u>\$ 430,786</u>
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Town of Many, Louisiana
STATEMENT OF NET ASSETS
PROPRIETARY FUND (UTILITY FUND)
June 30, 2004

ASSETS		<u>2004</u>
Current assets:		
Cash and cash equivalents	\$	55,653
Receivables		152,840
Due from other funds		110,603
Prepaid expenses		14,634
Total current assets		<u>333,730</u>
Noncurrent assets:		
Restricted:		
Cash and cash equivalents		376,587
Investments		826,152
Due from other funds		20,714
Capital assets:		
Land		38,999
Construction in progress		1,629,692
Buildings, machinery, and equipment		8,807,484
Less accumulated depreciation		<u>(2,863,712)</u>
Total capital assets (net of accumulated depreciation)		<u>7,612,464</u>
Total noncurrent assets		<u>8,835,918</u>
Total assets	\$	<u><u>9,169,648</u></u>

LIABILITIES		
Current liabilities		
Accounts payable		18,406
Accrued liabilities		23,266
Due to other funds		412,711
Total current liabilities		<u>454,383</u>
Current liabilities payable from restricted assets:		
Customer deposits		86,801
Bonds payable		469,883
Accounts payable - construction		117,051
Accrued interest		31,867
Total current liabilities payable from restricted assets		<u>705,602</u>
Non-current liabilities		
Compensated absences		29,815
Bonds payable		1,789,647
Total noncurrent liabilities		<u>1,819,462</u>
Total liabilities		<u><u>2,979,447</u></u>

NET ASSETS		
Invested in capital assets, net of related debt		5,284,345
Restricted for debt service		815,844
Unrestricted		90,012
Total net assets	\$	<u><u>6,190,201</u></u>

Town of Many, Louisiana
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 UTILITY FUND
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED June 30, 2004**

	2004
Operating Revenues:	
Water charges	\$ 633,635
Sewer charges	169,628
Connection charges	11,675
Delinquent charges	17,657
Miscellaneous	15,612
Total operating revenues	848,206
Operating expenses:	
Salaries	260,320
Insurance	62,793
Supplies	29,209
Contract labor	7,540
Bad debt expense	2,971
Legal and accounting	2,355
Repairs and maintenance	7,244
Truck expense	14,085
Telephone	8,789
Rent	2,882
Office supplies and postage	5,664
Retirement	13,319
Payroll taxes	19,457
Utilities	103,457
Freight	405
Miscellaneous	25,209
Testing fees	7,889
Water treatment plant supplies	69,720
Sewer plant supplies	6,666
Water purchased	49,349
Depreciation	193,412
Professional fees	6,123
Travel and seminars	4,636
Total operating expenses	903,494
Operating income (loss)	(55,288)
Nonoperating revenues (expenses):	
Interest income	21,639
Interest expense	(85,961)
Loss on sale of assets	(12,267)
Total nonoperating revenues (expenses)	(76,589)
<i>Income before contributions and transfers</i>	(131,877)
Transfer from sales tax fund	210,121
Change in net assets	78,244
Net assets, beginning of year	6,021,283
DEQ loan proceeds from General Fund	90,674
Net assets, end of year	\$ 6,190,201

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

Town of Many, Louisiana
COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
UTILITY FUND
FOR THE YEAR ENDED June 30, 2004

	2004
Cash flows from operating activities:	
Cash received from customers	836,010
Cash paid to suppliers	(481,181)
<i>Cash paid to employees</i>	(260,320)
Customers' deposits received	25,920
Customers' deposits refunded	(22,669)
Net cash provided by operating activities	97,760
Cash flows from noncapital financing activities	
<i>Increase in due to other funds</i>	57,039
Cash flows from capital and related financing activities:	
Proceeds on sale of assets	22,282
Proceeds from DEQ loans	1,140,209
Sales taxes collected for construction	210,061
Capital expenditures paid in cash	(1,340,435)
<i>Cash paid on principal amount of bonds payable</i>	(272,000)
DEQ loan proceeds from General Fund	90,674
Interest on bonds payable paid	(70,595)
Net cash provided (used) by capital and related financing activities	(219,804)
Cash flows from investing activities:	
Interest received	22,188
Net increase (decrease) in cash and cash equivalents	(42,817)
Cash and cash equivalents, beginning of year	1,301,209
Cash and cash equivalents, end of year (\$55,653 + 376,587 + 826,152)	\$ 1,258,392
Reconciliation of operating income to net cash provided by operations:	
Operating income (loss)	\$ (55,288)
Adjustments to reconcile operating income of net cash provided by operating activities:	
Depreciation	193,412
Increase in accounts receivable	(12,196)
Increase in payroll and payroll taxes payable	5,705
Decrease in accounts payable	(41,581)
Increase in customers' deposits	3,251
<i>Increase in accumulated unpaid vacation</i>	3,905
Increase in sales taxes payable	551
Total adjustments to operating income	153,048
Net cash provided by operating activities	\$ 97,760

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

TOWN OF MANY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

1. **Summary of Significant Accounting Policies**

The Town of Many (the Town) was incorporated November 1, 1878, under the provisions of a special home rule charter. The Town began operating under the provisions of the Lawrason Act in January 1996 as a result of an election that was held in the Fall of 1995. The Town operates under a Mayor - Board of Aldermen form of government.

The accounting and reporting policies of the Town of Many conform to generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard - setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide of State and Local Government.

The following is a summary of certain significant accounting policies.

Financial Reporting Entity

In evaluating how to define the Town of Many, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and outlines in GASB Statement 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements of the Town of Many (the primary government) consist of only the funds and account groups of the Town since the Town has no oversight responsibility for any other governmental entity.

Government-Wide and Fund Financial Statements

During the current year, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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

1. Summary of Significant Accounting Policies (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is identified by function and is included in the direct expense of each function. Interest on general long-term debt of governmental activities is considered an indirect expense and is reported separately on the statement of activities. Interest on long-term debt of business-type activities is recorded as direct expenses. Program revenues include 1) fees, fines, and 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.

Separate fund financial statements (FFS) are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the FFS. The Town had no nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Representation

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which final approval is received from the Louisiana Tax Commission, at which time a valid claim exists, to the extent considered available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Ad valorem taxes are considered "measurable" at the time of levy. Substantially all other non-intergovernment revenues are susceptible to accrual and are recognized when earned or the underlying transaction occurs. Those revenues susceptible to accrual are ad valorem taxes, franchise taxes, sales taxes, interest revenue, licenses, intergovernmental revenues, and charges for services. Fines, permits, penalties and interest, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been

1. Summary of Significant Accounting Policies (Continued)

met. In reimbursement type programs, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore revenues are recognized based upon the expenditures recorded. In other programs in which monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements, the resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met and all other eligibility requirements are met.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues expenditures/expenses and other changes in fund balance/net assets. The various funds are summarized by type in the financial statements. The following funds are used by the Town:

Governmental Funds -

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds consist of the Sales Tax and Streets and Sidewalks.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the construction of major capital facilities.

Proprietary Fund -

Enterprise Fund

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

The Town applies all applicable GASB pronouncements in accounting and reporting for its government-wide and business-type activities and its enterprise funds as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins.

1. **Summary of Significant Accounting Policies** (Continued)

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated historical cost based upon like items. The Town, a phase 3 government, in accordance with GASB 34, has not retroactively reported infrastructure assets. As of July 1, 2003 the Town implemented a policy of capitalizing all infrastructure assets with a cost of \$10,000 or more. All other assets are capitalized based upon a \$5,000 threshold except land and construction in progress which are capitalized at cost.

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

Capital assets are not reported in the governmental fund financial statements.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water system	10-60 years
Sewer system	5-60 years
Fixtures and equipment	5-60 years
Trucks and machinery	3-5 years
Buildings and improvements	10-40 years

Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

1. Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town Clerk prepares a proposed budget and submits same 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, a public hearing is called. This is included in minutes of the council meetings.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance.
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. All expenditures in excess of budgeted amounts are approved by the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

Investments

State law and the municipality's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool and mutual funds consisting solely of government backed securities.

Investments for the Town are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations.

Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. No ad valorem taxes or customers' utility receivables were considered uncollectible at June 30, 2004.

1. **Summary of Significant Accounting Policies (Continued)**

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items.

Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Accumulated vacation leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Estimates

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

2. **Ad Valorem Taxes**

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

For the year ended June 30, 2004, taxes of 16.73 mills were levied on property with assessed valuations totaling \$14,055,022 and were dedicated as follows:

General corporate purposes	6.56 mills
DEQ General Obligation bonds	10.17 mills

Total taxes levied were \$235,141.

3. **Restricted Assets - Proprietary Fund Type**

The resolutions applicable to the 1977 Utility Revenue Bonds and the 2001 DEQ sales tax and revenue bonds require the establishment of various bond principal and interest sinking funds and the establishment of a debt service reserve fund. For financial reporting purposes these funds have been consolidated with the Utility Fund. Net assets of the Utility Fund have been restricted in accordance with the provision of the respective bond indentures in the amount of \$1,347,115 at June 30, 2004, which represents the restricted assets included in the various debt service reserve funds and bond principal and interest sinking funds at that date less current liabilities payable from these restricted assets.

4. **Changes in General Fixed Assets**

A summary of changes in general fixed assets for 2004 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	116,366	-	-	116,366
Buildings and improvements	479,989	272,304	-	752,293
Streets and traffic control equip	5,935	-	-	5,935
Machinery and equipment	795,205	-	-	795,205
Automobiles and trucks	<u>277,316</u>	<u>-</u>	<u>-</u>	<u>277,316</u>
Total general fixed assets	<u>1,674,811</u>	<u>272,304</u>	<u>-</u>	<u>1,947,115</u>

A summary of accumulated depreciation follows:

	<u>Beginning Accumulated</u>	<u>2004 Depreciation</u>	<u>Ending Accumulated</u>
Buildings and improvements	261,595	15,719	277,314
Machinery and equipment	642,449	18,037	660,486
Automobiles and trucks	<u>237,275</u>	<u>11,457</u>	<u>248,732</u>
Totals	<u>1,141,319</u>	<u>45,213</u>	<u>1,186,532</u>

5. **Long-Term Debt**

General Obligation Bonds

The Town of Many issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds expected to be repaid from proprietary revenues are reported in the proprietary fund. General obligation bonds are direct obligations and pledge the full faith and credit of the Town of Many. In June 2000, the Town authorized the issuance of \$1,100,000 of general obligation bonds. The bonds are issued through a Loan and Pledge Agreement with the Louisiana Department of Environmental Quality (DEQ) for the purpose of primarily replacing the majority of water lines in the Town. During 2004 an additional \$90,674 of bonds were purchased by DEQ, bringing the total purchased to date to \$1,023,489. General obligation bonds outstanding at June 30, 2004 are as follows:

\$1,100,000 General obligation bonds dated 12/19/00; due in annual installments of \$82,000 - \$132,000 through May 31, 2010; interest at 3.45%, plus .5% administrative fee	<u>642,590</u>
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The remainder of the unissued bonds are to be purchased by DEQ over the next two years as the project is completed.

Revenue Bonds

The Town of Many also issues bonds where the Town pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at June 30, 2004 are comprised of the following:

5. Long-Term Debt (Continued)

\$903,000 Utility Revenue Bonds dated 12/30/77; due in annual installments of \$20,000 - \$55,000 through December 30, 2018; interest at 5% 545,000

\$1,500,000 Utility Revenue Bonds dated 12/19/00; due in annual installments of \$125,000 - \$178,000 through December 30, 2011; interest at 3.45% 1,070,278

In June 2000, the Town authorized the issuance of \$1,500,000 of revenue bonds. The bonds are issued through a Loan and Pledge Agreement with DEQ for the purpose of primarily replacing the majority of water lines in the Town. During 2004 an additional \$1,063,146 of bonds were purchased by DEQ, bringing the total purchased to date to \$1,325,277. These bonds were issued in connection with a project to replace the majority of the water lines in the Town of Many, and were purchased by DEQ. Proceeds of these bonds are expected to be drawn on as needed over the next two years as the project is completed.

Sales Tax Bonds

The Town of Many also issues bonds where the Town pledges income derived from a designated sales tax to pay the debt service. Sales tax bonds outstanding at June 30, 2004, secured by a pledge of a 1/4% sales tax, are comprised of the following:

\$1,000,000 Utility Sales Tax Bonds dated 12/19/00; due in annual installments of \$109,000 - \$143,000 through December 30, 2008; interest at 3.45% 644,252

In June 2000, the Town authorized the issuance of \$1,500,000 of sales tax bonds. The bonds are issued through a Loan and Pledge Agreement with DEQ for the purpose of primarily replacing the majority of water lines in the Town. During 2004 an additional \$77,063 of bonds were purchased by DEQ, bringing the total purchased to date to \$983,074. These bonds were issued in connection with a project to replace the majority of the water lines in the Town of Many, and were purchased by DEQ. Proceeds of these bonds are expected to be drawn on as needed over the next two years as the project is completed.

The annual requirements to amortize all debt outstanding as of June 30, 2004 (excluding the DEQ debt in process), including interest payments of \$255,000 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Revenue</u>	<u>Total</u>
2005	51,625	51,625
2006	55,250	55,250
2007	53,750	53,750
2008	57,125	57,125
2009	55,375	55,375
2010	53,625	53,625
2011	51,875	51,875
2012	55,000	55,000

5. **Long-Term Debt (Continued)**

<u>Year Ending June 30</u>	<u>Revenue</u>	<u>Total</u>
2013	53,000	53,000
2014	55,875	55,875
2015	53,625	53,625
2016	51,375	51,375
2017	54,000	54,000
2018	<u>56,375</u>	<u>56,375</u>
	<u>757,875</u>	<u>757,875</u>

Changes in Long-Term Debt

During the year ended June 30, 2004, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
General obligation debt:				
Public improvement bonds:				
DEQ bonds	655,816	90,674	104,000	642,590
Accumulated unpaid vacation	<u>46,604</u>	<u>6,914</u>	<u>-</u>	<u>53,518</u>
	<u>702,420</u>	<u>97,588</u>	<u>104,000</u>	<u>696,108</u>

During the year ended June 30, 2004 the following changes occurred in long-term debt reported as liabilities in the proprietary fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Revenue bonds:				
1977 Utility revenue bonds	570,000	-	25,000	545,000
DEQ Utility sales tax bonds	684,011	77,063	117,000	644,074
DEQ Utility revenue bonds	<u>137,132</u>	<u>1,063,146</u>	<u>130,000</u>	<u>1,070,278</u>
	<u>1,391,143</u>	<u>1,140,209</u>	<u>272,000</u>	<u>2,259,352</u>

6. **Dedication of Proceeds and Flow of Funds - 1 1/4% Sales and Use Tax**

Proceeds of a 1 1/4% sales and use tax levied by the Town of Many are dedicated to the following purposes:

1. 1/2% sales tax is transferred to the streets and sidewalks fund for maintenance and construction of streets and sidewalks.
2. 1/2% sales tax is transferred to the general fund for general operating or any other use as designated by the Board.
3. 1/4% sales tax is transferred to the utility fund to be used for water system improvements. This tax was effective October 1, 1998.

7. Flow of Funds; Restrictions on Use - Utilities Revenues

Under the terms of the bond indenture on outstanding Utility Revenue Bonds dated December 30, 1977, all income and revenues of every nature, earned or derived from operations of the utility fund are pledged and dedicated to the retirement of said bonds, and are to be used for the following expressed purposes:

- (a) Payment of all reasonable expenses of administration, operation and maintenance of the system.
- (b) Each month there will be set aside into a fund called the "Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/6 of the next maturing installment of interest on the outstanding bonds. The required balance is the sum of six monthly deposits (\$26,750). The present balance in the account is \$29,114.
- (c) There will be set aside monthly into a "Revenue Bond Reserve Fund" a sum equal to at least 5% of the amount required to be deposited into the Revenue Bond and Interest Sinking Fund until the balance reaches \$58,000. These funds are to be used only for payment of principal and interest on bonds that would otherwise be in default. There is presently \$60,391 in this fund.
- (d) There will be set aside into a "Depreciation and Contingency Fund" \$520 each month. Expenditures for extensions, additions, improvements and replacements necessary to properly operate the utility may be made from this fund. The required balance at June 30, 2004 is \$159,120. There is presently \$237,921 in this fund.

Under terms of the 1/4% sales tax effective October 1, 1998 and the corresponding rate increase, funds from these revenue sources are restricted to use for payment of construction and financing costs related to a water system improvement project, as further described in Note 5. As of June 30, 2004, related assets of \$1,223,452, comprised of unexpended funds from loan proceeds, related usage fees, reserve and sinking fund accounts, and the 1/4% sales tax are shown as restricted in the financial statements.

8. Plant and Equipment - Proprietary Fund Type

A summary of plant and equipment for the utility fund at June 30, 2004 is as follows:

	<u>Straight</u> <u>Line Rate</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u>	<u>2004</u> <u>Depreciation</u>
Water system	10-60 yrs.	5,527,106	1,268,811	4,258,295	119,439
Sewer system	5-60 yrs.	3,107,410	1,434,973	1,672,437	63,669
Fixtures and	5-60 yrs.	61,591	56,266	5,325	3,210
Trucks and machinery	3-5 yrs.	111,377	103,661	7,716	7,093
Construction in progress		1,629,692	-	1,629,692	-
Land		38,999	-	38,999	-
		<u>10,476,175</u>	<u>2,863,712</u>	<u>7,612,463</u>	<u>193,412</u>

	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u>
Changes during the year:			
Balance, beginning of year	9,187,517	(2,763,822)	6,423,695

8. Plant and Equipment - Proprietary Fund Type (Continued)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Additions:			
Water system	20,925	-	20,925
Construction in progress	1,395,804	-	1,395,804
Deletions:			
Water system	(110,475)	75,997	(34,478)
Sewer system	(6,363)	6,363	-
Fixtures and equipment	(11,233)	11,162	(71)
Depreciation	-	(193,412)	(193,412)
Balance, end of year	<u>10,476,175</u>	<u>(2,863,712)</u>	<u>7,612,463</u>

9. Employee Retirement Systems

All employees of the Town of Many are protected by the Social Security System. All employees contributed 7.65% of their total salary to the System, while the Town contributed a like amount. For the year ended June 30, 2004 total contributions to the System were 133,986 of which the Town contributed \$66,993 and employees contributed \$66,993. Total payroll covered by this System for the year ended June 30, 2004 was \$875,730. Any future deficit in this System will be financed by the United States Government. The Town has no further liability to the System for the year ended June 30, 2004.

The police are also members of the Municipal Police Employees' Retirement System of Louisiana. The following is a brief description of this retirement system.

Municipal Police Employees' Retirement System

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. 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 issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.75% of their annual covered salary and the Town of Many is required to contribute at an actuarially determined rate. The current rate is 5.0% of annual covered payroll. The contribution requirements of plan members and the Town of Many are established and may be amended by state statute. As provided by R.S. 11:103,

9. Employee Retirement Systems (Continued)

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 Many contributions to the System for the years ending June 30, 2004, 2003 and 2002 were \$28,735, \$18,870 and \$15,725, respectively, equal to the required contributions for each year.

Municipal Employees' Retirement System

Plan description. Substantially all full-time employees except police of the Town of Many are covered under the Municipal Employees' Retirement System of Louisiana, (the "System") a cost sharing multiple employer public employee retirement system, controlled and administered by the Board of Trustees of the System. The System is mandatory for all employees who are employed on a permanent basis working at least 35 hours per week. Benefits are established by State statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Board of Trustees, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy. Covered employees are required to contribute 7.50% of their annual compensation and the Town is required to contribute 9% of annual compensation. The contribution requirements are established and may be amended by State statute. The Town's contributions to the System for the years ended June 30, 2004, and 2003 were \$27,907 and \$22,813, equal to the required contributions for each year in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the Town did not report a pension liability.

10. Receivables and Due from Other Governments

Receivables as of June 30, 2004 consisted of the following:

	<u>Customers</u>	<u>Taxes</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	-	41,040	15,293	56,333
Special Revenue-				
Sales tax	-	88,447	90	88,536
Debt service	-	-	60	60
Total governmental	<u>-</u>	<u>91,498</u>	<u>15,443</u>	<u>144,929</u>

Included in taxes in the general fund is \$3,050 due from the State of Louisiana for beer taxes. Also, \$3,500 is reflected on the Statement of Net Assets as due from other governments which is \$3,500 due from the State of Louisiana for mowing.

Included in Other above is \$14,850 in grant funds receivable from the State of Louisiana.

The receivables reflected in the Statement of Net Assets in the business-type activity is \$151,954 from customers for utility billings and \$886 of other receivables for a total of \$152,840.

11. Obligations under Leases

The Town was not obligated under any capital lease commitments at June 30, 2004.

12. Litigation

The Town is a party to legal proceedings involving suits filed against the Town for various reasons, however Town management does not believe the Town is exposed to any material losses in these proceedings. Accordingly, no provision for losses is included in the financial statements.

13. Cash and Investments

Louisiana revised Statutes authorize the Town to invest in United States bonds, treasury notes or certificates, or to deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

As described in Note 1, cash equivalents include all short term highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the date of purchase, have a maturity date no longer than three months qualify under this definition.

At June 30, 2004, the Town of Many has cash and investments as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	367,531	376,587	744,118
Investments	<u>376,949</u>	<u>826,152</u>	<u>1,203,101</u>
	<u>744,480</u>	<u>1,202,739</u>	<u>1,947,219</u>

Investments consist of certificates of deposit.

The bank balances of cash and investments at June 30, 2004 was \$2,191,312. Of this total, \$247,817 was secured through federal depository insurance and \$1,943,495 was secured by the pledge of securities (\$2,430,764 par value) owned by the depository banks. These securities are held in the name of the pledging banks in a custodial bank that is mutually acceptable to both parties. These secured deposits are considered uncollateralized under the provisions of GASB Statement 40; however, Louisiana Revised Statutes require the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand. The Town's deposits were fully insured or collateralized at June 30, 2004.

14. Retained Earnings

Effective May 15, 1998, the Town increased water rates by approximately 23% to allow the Utility Fund to eliminate the deficit in retained earnings caused by the continuing loss being incurred in operations of water services. The Town also has a project underway to replace the majority of the water lines in the Town, which is to be funded through the issuance of an estimated \$3,600,000 in bonds under the Drinking Water Revolving Loan program. The bonds are to be repaid through a water rate increase of 28% effective October 1998, a 1/4% sales tax effective October 1, 1998, and an estimated ad valorem tax of 11 mills effective in 2000. The second of two phases of this project is presently under construction under a \$1,254,800 construction contract awarded on May 13, 2003.

A portion of retained earnings is reserved to cover certain restricted assets pledged for future debt service on the revenue bonds issued by the Utility Fund, and on funds collected in connection with the above water line improvement project.

15. Compensation Paid to Mayor and Aldermen

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid to the Mayor and member of the Town Council for the year ended June 30, 2004:

Mayor Kenneth Freeman	24,000
Aldermen:	
I. D. Bostian	6,000
John Hoagland	6,000
Barbara Peterson	6,175
Jeanette Dean	6,000
Faye Kennedy (deceased)	3,625
James D. Kennedy	2,500

16. Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2004 follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund - Due From		
Utility fund	227,546	
Sales tax fund	79,413	
Street fund		94,648
Debt service fund		12,680
Special Revenue - Due From		
Utility fund	74,107	
Sales tax fund	78,362	
General fund	94,648	
Special Revenue - Due To		
General fund		79,413
Street fund		78,362
Utility fund		20,714
Debt Service Fund - Due From		
General fund	12,680	
Utility fund	455	
Utility Fund - Due To		
General fund		227,546
Sales tax fund	20,714	
Debt service fund	110,603	111,058
Street fund		74,107
	<u>698,528</u>	<u>698,528</u>

17. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the Town's insurance coverage. The Town's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss as a result of business interruption and certain acts of God.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Town of Many, Louisiana
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACUTAL ON A BUDGETARY BASIS
FOR THE YEAR ENDED June 30, 2004
(unaudited)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 246,100	\$ 246,100	\$ 262,976	\$ 16,876
Licenses and permits	184,400	184,400	214,350	29,950
Intergovernmental	139,188	379,188	409,618	30,430
Charges for services	131,400	131,400	132,829	1,429
Fines	55,000	55,000	77,848	22,848
Interest	5,000	5,000	3,562	(1,438)
Miscellaneous	3,500	3,500	42,509	39,009
Total revenues	<u>764,588</u>	<u>1,004,588</u>	<u>1,143,692</u>	<u>139,104</u>
Expenditures:				
Current:				
General government	225,555	225,555	219,874	5,681
Public safety:				
Police	540,762	583,822	563,435	20,387
Highways and streets	57,500	57,500	62,676	(5,176)
Sanitation	251,355	251,355	198,821	52,534
Hart airport	37,127	297,127	310,995	(13,868)
Recreation	70,841	70,841	89,741	(18,900)
Maintenance	500	500	301	199
Public relations	56,874	56,874	54,086	2,788
Capital construction	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,240,514</u>	<u>1,543,574</u>	<u>1,499,929</u>	<u>43,645</u>
Excess (deficiency) of revenue over expenditures	<u>(475,926)</u>	<u>(538,986)</u>	<u>(356,237)</u>	<u>182,749</u>
Other financing sources (uses):				
Operating transfers in	390,060	388,800	420,242	31,442
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>390,060</u>	<u>388,800</u>	<u>420,242</u>	<u>31,442</u>
Excess (deficiency) of revenues and other financing sources ouver (under) expenditures and other financing uses	<u>(85,866)</u>	<u>(150,186)</u>	<u>64,006</u>	<u>214,192</u>
Fund balances, beginning of year	<u>430,147</u>	<u>430,147</u>	<u>430,147</u>	<u>-</u>
Fund balances, end of year	<u>\$ 344,281</u>	<u>\$ 279,961</u>	<u>\$ 494,153</u>	<u>\$ 214,192</u>

Town of Many, Louisiana
SPECIAL REVENUE FUND TYPES
STREET AND SIDEWALK FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACUTAL ON A BUDGETARY BASIS
FOR THE YEAR ENDED June 30, 2004
(unaudited)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Intergovernmental	\$ 7,000	\$ 7,000	\$ 7,000	\$ (0)
Interest	4,500	4,500	3,821	(679)
Total revenues	<u>11,500</u>	<u>11,500</u>	<u>10,820</u>	<u>(680)</u>
Expenditures:				
General government	316,845	316,845	255,310	61,535
Highways and streets	67,500	67,500	115,000	(47,500)
Total expenditures	<u>384,345</u>	<u>384,345</u>	<u>370,310</u>	<u>14,035</u>
Excess (deficiency) of revenue over expenditures	<u>(372,845)</u>	<u>(372,845)</u>	<u>(359,489)</u>	<u>13,356</u>
Other financing sources (uses):				
Operating transfers in	390,060	388,800	420,242	31,442
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>390,060</u>	<u>388,800</u>	<u>420,242</u>	<u>31,442</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	17,215	15,955	60,753	44,798
Fund balances, beginning of year	<u>401,492</u>	<u>401,492</u>	<u>401,492</u>	<u>-</u>
Fund balances, end of year	<u>\$ 418,707</u>	<u>\$ 417,447</u>	<u>\$ 462,245</u>	<u>\$ 44,798</u>

Town of Many, Louisiana
SPECIAL REVENUE FUND TYPES
SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACUTAL ON A BUDGETARY BASIS
FOR THE YEAR ENDED June 30, 2004
(unaudited)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 990,000	\$ 990,000	\$ 1,070,374	\$ 80,374
Interest	-	-	767	767
Total revenues	<u>990,000</u>	<u>990,000</u>	<u>1,071,141</u>	<u>81,141</u>
Expenditures:				
General government	14,850	18,000	20,535	(2,535)
Total expenditures	<u>14,850</u>	<u>18,000</u>	<u>20,535</u>	<u>(2,535)</u>
Excess (deficiency) of revenue over expenditures	<u>975,150</u>	<u>972,000</u>	<u>1,050,606</u>	<u>78,606</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(975,150)	(972,000)	(1,050,606)	(78,606)
Total other financing sources (uses)	<u>(975,150)</u>	<u>(972,000)</u>	<u>(1,050,606)</u>	<u>(78,606)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Many, Louisiana
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACUTAL ON A BUDGETARY BASIS
FOR THE YEAR ENDED June 30, 2004
(unaudited)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 140,000	\$ 140,000	\$ 142,465	\$ 2,465
Interest	5,000	5,000	3,125	(1,875)
Total revenues	<u>145,000</u>	<u>145,000</u>	<u>145,589</u>	<u>589</u>
Expenditures:				
Debt service:				
Principal retirement	104,000	104,000	104,000	-
Interest and fiscal charges	28,000	28,000	27,080	920
Total expenditures	<u>132,000</u>	<u>132,000</u>	<u>131,080</u>	<u>920</u>
Excess (deficiency) of revenue over expenditures	<u>13,000</u>	<u>13,000</u>	<u>14,509</u>	<u>1,509</u>
Other financing sources (uses):				
Operating transfers in	90,574	90,574	90,574	-
Operating transfers out	(90,574)	(90,574)	(90,574)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	13,000	13,000	14,509	1,509
Fund balances, beginning of year	<u>109,154</u>	<u>109,154</u>	<u>109,154</u>	<u>-</u>
Fund balances, end of year	<u>\$ 122,154</u>	<u>\$ 122,154</u>	<u>\$ 123,663</u>	<u>\$ 1,509</u>

TOWN OF MANY, LOUISIANA

NOTES TO BUDGETARY COMPARISON SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2004

(Unaudited)

1. Budget
Refer to Note 1 of the government-wide financial statements for details regarding the budget process.
2. Excess of Expenditures over Budget
Actual expenditures exceeded budgeted expenditures as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund:			
Hart Airport	297,127	310,995	(13,868)
Recreation	297,127	310,995	(18,900)
Special Revenues:			
Highways and streets	67,500	115,000	(47,500)

The unfavorable variance in the airport and recreation expenditures in the general fund was due to increased cost of operations which were offset by an increase in revenues. The unfavorable variance in the special revenue fund, highway and streets were due to expanded upkeep due to increased revenues which were transferred in to offset the expenditures.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF MANY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U. S. Department of Justice</u> Passed through Northwestern State University COPS in Schools	16.710	64,388	64,388	64,388
<u>U. S. Environmental Protection Agency</u> Passed through Louisiana Department of Environmental Quality Water quality revolving loan program	66.468	1,230,883	N/A	1,230,883
<u>U. S. Federal Aviation Administration</u> Airport grant	20.106	255,575	250,144	250,144
<u>U. S. Federal Aviation Administration</u> Passed through Louisiana Department of Transportation and Development Airport grant	20.106	28,397	24,641	<u>24,641</u>
Total				<u>1,570,056</u>

See the accompanying notes to federal awards.

TOWN OF MANY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2004

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Many and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

The Town did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

Refer to the notes to financial statements for further details.

2. Loans Outstanding

Funds advanced to the Town during the year ended June 30, 2004 from the DEQ under the water quality revolving loan program are included in the schedule of federal expenditures. Refer to Note 5 of the notes to financial statements.

OTHER REPORTS

December 17, 2004

The Honorable Kenneth Freeman, Mayor
Board of Aldermen
Town of Many
Many, Louisiana

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

We have audited the basic financial statements of the Town of Many, Louisiana (the Town), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, management, Board of Aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heard, M^cElroy & Vostal, LLP

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December 17, 2004

The Honorable Kenneth Freeman, Mayor
Board of Aldermen
Town of Many
Many, Louisiana

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over compliance in Accordance with OMB Circular A-133

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

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

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Internal Control Over Compliance

The management of The Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Mayor, management, Board of Aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

TOWN OF MANY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004

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A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Town of Many, Louisiana.
2. No reportable conditions relating to the audit of the basic financial statements are reported.
3. No instances of noncompliance material to the basic financial statements of the Town of Many, Louisiana were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133..
5. The auditor's report on compliance for the major federal award programs for the Town of Many , Louisiana expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the Town of Many, Louisiana.
7. The programs tested as major programs were the Drinking Water Revolving Loan Fund Program from the U. S. Environmental Protection Agency (CFDA 66.468), passed through the State of Louisiana and the airport grant from the Federal Aviation Administration (FAA) (CFDA 20.106).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Many, Louisiana was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

None

TOWN OF MANY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

There were one finding and no questioned costs for the year ended June 30, 2003.

The audit of the Town's financial statements was not completed within the required six months as required by Louisiana law, due to a serious medical problem encountered by the prior auditor during December 2003. This finding was corrected for the year ending June 30, 2004.