

TOWN OF MONTGOMERY, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020



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June 24, 2021

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Montgomery, as of and for the year ended December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Montgomery's basic financial statements. The Schedule of Per Diem Paid to Board Members and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and are not required parts of the basic financial statements.

The other supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule of Per Diem Paid to Board Members and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021, on our consideration of the Town of Montgomery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Montgomery's internal control over financial reporting and compliance.



Rozier, McKay & Willis
Certified Public Accountants

Town of Montgomery

Management's Discussion And Analysis

December 31, 2020

This section of the Town of Montgomery's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government –Wide Financial Statements

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

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

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

Fund Financial Statements

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

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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

Net Position

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

Town of Montgomery

Management's Discussion And Analysis

December 31, 2020

	December 31, 2020			December 31, 2019
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current and Other Assets	\$ 104,918	\$ 306,709	\$ 411,627	\$ 328,105
Capital Assets	833,752	1,102,992	1,936,744	1,319,719
Total Assets	<u>938,670</u>	<u>1,409,701</u>	<u>2,348,371</u>	<u>1,647,824</u>
Liabilities:				
Current and Other Liabilities	84,604	94,798	179,402	109,352
Long-term Liabilities	----	----	----	----
Total Liabilities	<u>84,604</u>	<u>94,798</u>	<u>179,402</u>	<u>109,352</u>
Net Position:				
Invested in Capital Assets (Net)	833,752	1,102,992	1,936,744	1,319,719
Unrestricted	20,314	211,911	232,225	218,753
Total Net Position	<u>\$ 854,066</u>	<u>\$ 1,314,903</u>	<u>\$ 2,168,969</u>	<u>\$ 1,538,472</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net position (89.3%) is invested in capital assets. Net position invested in capital assets consist of land, buildings, and equipment. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

The remaining unrestricted net position (10.7%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Position

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

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019
	Governmental Activities	Business-Type Activities	Total	
Revenues:				
Program Revenue:				
Charges for Services	\$ 44,367	\$ 511,796	\$ 556,163	\$ 566,420
Operating Grants and Contributions	----	3,134	3,134	13,000
Capital Grants and Contributions	737,309	----	737,309	111,512
General Revenue:				
Property Taxes	15,478	----	15,478	18,223
Sales Taxes	63,196	----	63,196	51,262
Franchise Taxes	12,434	----	12,434	12,931
Occupational Licenses	34,936	----	34,936	30,136
Miscellaneous	3,729	----	3,729	2,189
Total Revenue	<u>911,449</u>	<u>514,930</u>	<u>1,426,379</u>	<u>805,673</u>

Town of Montgomery

Management's Discussion And Analysis

December 31, 2020

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019
	Governmental Activities	Business-Type Activities	Total	
Program Expenses:				
General Government	86,809	----	86,809	79,928
Public Safety (Law Enforcement)	95,558	----	95,558	93,283
Public Safety (Fire)	7,171	----	7,171	----
Public Works – Streets	17,747	----	17,747	11,841
Culture and Recreation	7,760	----	7,760	6,959
Utility System	----	580,837	580,837	549,583
Total Expenses	<u>215,045</u>	<u>580,837</u>	<u>795,882</u>	<u>741,594</u>
Increase in Net Position Before Transfers	696,404	(65,907)	630,497	64,079
Transfers	<u>18,063</u>	<u>(18,063)</u>	<u>----</u>	<u>----</u>
Change in Net Position	714,467	(83,970)	630,497	64,079
Net Position Beginning	<u>139,599</u>	<u>1,398,873</u>	<u>1,538,472</u>	<u>1,474,393</u>
Net Position Ending	<u>\$ 854,066</u>	<u>\$ 1,314,903</u>	<u>\$ 2,168,969</u>	<u>\$ 1,538,472</u>

Governmental activities increased the Town's net position by 714,467. This increase was attributable to grants that were used for street construction.

Business-type activities decreased the Town's net position by \$83,970. The change in net position is influenced by grants and related depreciation. Changes in net position excluding capital grants, contributions and depreciation are presented as follows:

	Governmental Activities	Business-Type Activities	Total
Change in Net Position	\$ 714,467	\$ (83,970)	\$ 630,497
Depreciation	13,311	114,715	128,026
Grant Funds and Contributions Dedicated to Acquiring Capital Assets	<u>(737,309)</u>	<u>----</u>	<u>(737,309)</u>
Change in Net Position Excluding Capital Grants, Contributions and Depreciation	<u>\$ (9,531)</u>	<u>\$ 30,745</u>	<u>\$ 21,214</u>

After considering depreciation and grants, it is apparent that the Town has accumulated reserves for future needs.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

For the year ended December 31, 2020, the General Fund experienced a decrease in fund balance of \$9,531. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets in the government-wide presentation, and grant activity reported by separate funds.

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

Town of Montgomery

Management's Discussion And Analysis

December 31, 2020

GENERAL FUND BUDGET HIGHLIGHTS

The original budget was amended in response to changes that were not anticipated when the original budget was adopted.

CAPITAL ASSET ADMINISTRATION

Activity involving capital assets was limited to reporting depreciation for existing assets, and work related to completing street improvements.

DEBT ADMINISTRATION

No debt was outstanding during the year ended December 31, 2020.

FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS

No significant factors are expected to affect operations in the near future.

Town of Montgomery

Statement of Net Position December 31, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,605	\$ 261,277	\$ 270,882
Receivables (net)	95,313	45,432	140,745
Capital assets not subject to depreciation	18,680	37,015	55,695
Depreciable capital assets, net	<u>815,072</u>	<u>1,065,977</u>	<u>1,881,049</u>
Total assets	<u>938,670</u>	<u>1,409,701</u>	<u>2,348,371</u>
<u>LIABILITIES</u>			
Accounts payable	84,604	35,559	120,163
Meter deposits	<u>-</u>	<u>59,239</u>	<u>59,239</u>
Total liabilities	<u>84,604</u>	<u>94,798</u>	<u>179,402</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	833,752	1,102,992	1,936,744
Unrestricted	<u>20,314</u>	<u>211,911</u>	<u>232,225</u>
Total net position (deficit)	<u>\$ 854,066</u>	<u>\$ 1,314,903</u>	<u>\$ 2,168,969</u>

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

Town of Montgomery

Statement of Activities

Year Ended December 31, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Governmental Activities:</u>							
General Government	\$ 86,809	\$ 5,900	\$ -	\$ -	\$ (80,909)	\$ -	\$ (80,909)
Public Safety							
Police Department	95,558	37,742	-	-	(57,816)	-	(57,816)
Fire	7,171	-	-	-	(7,171)	-	(7,171)
Public Works - Streets	17,747	-	-	737,309	719,562	-	719,562
Culture and Recreation	7,760	725	-	-	(7,035)	-	(7,035)
Total Governmental Activities	<u>215,045</u>	<u>44,367</u>	<u>-</u>	<u>737,309</u>	<u>566,631</u>	<u>-</u>	<u>566,631</u>
<u>Business-Type Activities:</u>							
Utility System	580,837	511,796	3,134	-	-	(65,907)	(65,907)
Total Business-Type Activities	<u>580,837</u>	<u>511,796</u>	<u>3,134</u>	<u>-</u>	<u>-</u>	<u>(65,907)</u>	<u>(65,907)</u>
Total Primary Government	<u>\$ 795,882</u>	<u>\$ 556,163</u>	<u>\$ 3,134</u>	<u>\$ 737,309</u>	<u>566,631</u>	<u>(65,907)</u>	<u>500,724</u>
General Revenues:							
Taxes:							
					15,478	-	15,478
					63,196	-	63,196
					12,434	-	12,434
					34,936	-	34,936
					3,729	-	3,729
Transfers					18,063	(18,063)	-
Total					<u>147,836</u>	<u>(18,063)</u>	<u>129,773</u>
Change in Net Position					714,467	(83,970)	630,497
Net Position Beginning					<u>139,599</u>	<u>1,398,873</u>	<u>1,538,472</u>
Net Position Ending					<u>\$ 854,066</u>	<u>\$ 1,314,903</u>	<u>\$ 2,168,969</u>

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

Town of Montgomery

Balance Sheet - Governmental Funds

December 31, 2020

	General	Capital Project USDA	Capital Project LCDBG	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 9,429	\$ 176	\$ -	\$ 9,605
Receivables (net)	27,337	-	67,976	95,313
Total assets	\$ 36,766	\$ 176	\$ 67,976	\$ 104,918
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 16,628	\$ -	\$ 67,976	\$ 84,604
Total liabilities	16,628	-	67,976	84,604
<u>Fund Balance</u>				
Unassigned	20,138	176	-	20,314
Total Fund Balances	20,138	176	-	20,314
Total Liabilities and Fund Balance	\$ 36,766	\$ 176	\$ 67,976	\$ 104,918

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

Total Fund Balances - Governmental Funds	\$ 20,314
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	833,752
Net Position of Governmental Activities	<u>\$ 854,066</u>

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

Town of Montgomery

Statement of Revenue, Expenditures and Changes in Fund Balance Governmental Funds Year Ended December 31, 2020

	General	Capital Project USDA	Capital Project LCDBG	Total Governmental Funds
Revenues:				
Taxes:				
Ad valorem	\$ 15,478	\$ -	\$ -	\$ 15,478
Sales Tax	63,196	-	-	63,196
Franchise	12,434	-	-	12,434
Occupational licenses	34,936	-	-	34,936
Intergovernmental	657	-	737,309	737,966
Fines and court cost	37,742	-	-	37,742
Miscellaneous	9,697	-	-	9,697
Total revenues	<u>174,140</u>	<u>-</u>	<u>737,309</u>	<u>911,449</u>
Expenditures:				
Current				
General government	85,507	-	-	85,507
Public safety (law enforcement)	86,852	-	-	86,852
Public safety (fire)	7,171	-	-	7,171
Public works - streets	14,444	-	-	14,444
Culture and recreation	7,760	-	-	7,760
Capital outlay	-	7,741	737,309	745,050
Total expenditures	<u>201,734</u>	<u>7,741</u>	<u>737,309</u>	<u>946,784</u>
Excess (deficiency) of revenues over expenditures	(27,594)	(7,741)	-	(35,335)
Other sources (uses)				
Operating transfers in	18,063	-	-	18,063
Operating transfers out	-	-	-	-
Net Change in Fund Balances	(9,531)	(7,741)	-	(17,272)
Fund balance - beginning of year	<u>29,669</u>	<u>7,917</u>	<u>-</u>	<u>37,586</u>
Fund balance - end of year	<u>\$ 20,138</u>	<u>\$ 176</u>	<u>\$ -</u>	<u>\$ 20,314</u>

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

Net change in fund balances of Governmental Funds	\$ (17,272)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. Capital asset activities are summarized as follows:	
Capital Outlay	745,050
Depreciation Expense	(13,311)
Change in net position of governmental activities	<u>\$ 714,467</u>

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

Town of Montgomery

Statement of Net Position - Proprietary Funds December 31, 2020

	Business-Type Activities	
	Enterprise Funds	Utility System
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$	261,277
Receivables (net)		<u>45,432</u>
Total current assets		<u>306,709</u>
Noncurrent Assets:		
Capital Assets:		
Capital assets not subject to depreciation		37,015
Depreciable capital assets, net		<u>1,065,977</u>
Total noncurrent assets		<u>1,102,992</u>
Total assets		<u>1,409,701</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable		35,559
Meter deposits		<u>59,239</u>
Total current liabilities		<u>94,798</u>
Total liabilities		<u>94,798</u>
<u>NET POSITION:</u>		
Invested in capital assets, net of related debt		1,102,992
Unrestricted		<u>211,911</u>
Total net position (deficit)	\$	<u><u>1,314,903</u></u>

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

Town of Montgomery

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2020

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Utility System</u>
<u>Operating revenues:</u>	
Charges for services	\$ 495,333
Miscellaneous	16,463
Total Operating Revenues	<u>511,796</u>
<u>Operating expenses:</u>	
Salaries and payroll taxes	123,134
Chemicals and supplies	47,682
Depreciation	114,715
Gas purchases	40,354
Insurance	47,618
Utilities	35,430
Professional Fees	21,703
Repairs and maintenance	140,107
Miscellaneous	10,094
Total operating expenses	<u>580,837</u>
Operating income (loss)	<u>(69,041)</u>
<u>Non-operating revenues (expenses):</u>	
Interest income	-
Intergovernmental grants	3,134
Total Non-operating revenues	<u>3,134</u>
Income (loss) before capital contributions and transfers	(65,907)
<u>Contributions, transfers and special items:</u>	
Capital Contributions	-
Operating transfers in (out)	<u>(18,063)</u>
Change in net position	(83,970)
Total net position - beginning	<u>1,398,873</u>
Total net position - ending	<u>\$ 1,314,903</u>

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

Town of Montgomery

Statement of Cash Flows - Proprietary Funds **Year Ended December 31, 2020**

	Business-Type Activities	
	<u>Enterprise Funds</u>	
	<u>Utility System</u>	
<u>Cash flow from operating activities:</u>		
Cash received from customers	\$	505,930
Cash payments to suppliers of goods and services		(346,170)
Cash payments to employees for services		<u>(123,134)</u>
Net cash provided (used) by operating activities		<u>36,626</u>
<u>Cash flows from non-capital financing activities:</u>		
Grant proceeds		3,134
Operating transfers out		<u>(18,063)</u>
Net cash provided (used) by non-capital financing activities		<u>(14,929)</u>
<u>Cash flows from capital and related financing activities:</u>		
Cash paid for capital assets		-
Gain from sale of surplus equipment		<u>-</u>
Net cash provided (used) by capital and related financing activities		<u>-</u>
<u>Cash flows from investing activities:</u>		
Interest and other income		<u>-</u>
Net cash provided (used) by investing activities		<u>-</u>
Net increase (decrease) in cash		21,697
Beginning cash balance		<u>239,580</u>
Ending cash balance	\$	<u>261,277</u>
<u>Reconciliation of operating income (loss) to net cash</u>		
Operating income (loss)	\$	(69,041)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		114,714
(Increase) decrease in accounts receivable		(9,686)
(Decrease) increase in accounts and other payables		(3,181)
(Decrease) increase in meter deposits		<u>3,820</u>
Net cash provided (used) by operating activities	\$	<u>36,626</u>

Supplemental disclosures of cash flow information:

For the year ended December 31, 2020, there were no operating, financing, or investing activities that did not result in cash receipts or payments.

Town of Montgomery

Notes To Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Montgomery (the Town) is operated under the provisions of a Home Rule Charter adopted July 18, 1998. Under the terms of the charter, the Town is governed by its Mayor and a Town Council consisting of five members. In addition to general government operations, the Town also provides police protection, fire protection, street maintenance, sanitation, recreation, water distribution, natural gas distribution, wastewater collection and wastewater treatment.

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

Financial Reporting Entity

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

Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of the Town of Montgomery for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

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

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

Town of Montgomery

Notes To Financial Statements

December 31, 2020

Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

- Governmental Funds – The active major governmental funds are listed below:
 - General Fund - The primary operating fund, used to account for all governmental activities, except certain capital projects.
 - Capital Project USDA – Used to account for the proceeds of grant funds awarded by the United States Department of Agriculture.
 - Capital Project LCDBG – Used to account for the proceeds of grant funds awarded by the Louisiana Community Development Block Grant program.
- Proprietary Funds – Are used to account for business type activities. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating. Since proprietary funds operate in a manner

Town of Montgomery

Notes To Financial Statements

December 31, 2020

similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

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

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

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

Non-Exchange Transactions

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

Use of Estimates

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

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In

Town of Montgomery

Notes To Financial Statements

December 31, 2020

situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Deferred Revenues

Deferred revenues represent grant funds not fully expended at the end of the year. Grant fund revenues are recognized in the subsequent year as funds are expended to complete the obligations of the grant agreement.

Budget Practices

Budget practices are governed by the Town's Home Rule Charter. In general, the Home Rule Charter considers the final budget from the previous year to be the original budget unless another original budget is adopted prior to the beginning of the year. Budgets are prepared for the Town's general fund by the Town Clerk under the supervision of the Mayor. Upon completion, the budget is submitted to the Board of Aldermen for approval. If amendments are necessary, the amended budgets are prepared and approved in the same manner as the original budget. The budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles.

Capital Assets

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

Cash and Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Statement of Cash Flows:

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

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2020, cash balances were fully secured by FDIC coverage.

NOTE 3 - RECEIVABLES

Details related to receivables at December 31, 2020 are presented as follows:

Town of Montgomery

Notes To Financial Statements

December 31, 2020

	<u>Governmental</u>	<u>Business-Type</u>
Sales taxes	\$ 13,617	\$ ----
Ad valorem taxes	7,901	----
Franchise tax	2,869	----
Grant funds	67,976	----
Miscellaneous	2,950	----
Utility revenues	----	56,432
Allowance for doubtful accounts	----	(11,000)
Total receivables	<u>\$ 95,313</u>	<u>\$ 45,432</u>

NOTE 4 – ACCOUNTS PAYABLE

Details related to accounts payable at December 31, 2020, are presented as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Vendors and employees	\$ 16,628	\$ 35,559
Construction contracts funded by grant programs	67,976	----
Total payables	<u>\$ 84,604</u>	<u>\$ 35,559</u>

NOTE 5 - AD VALOREM TAXES

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended December 31, 2020, the Town levied 8.28 mills for general corporate purposes.

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

NOTE 6 – CAPITAL ASSETS

A summary of the property and equipment reported by the Town's enterprise funds at December 31, 2020 consists of the following:

Town of Montgomery

Notes To Financial Statements

December 31, 2020

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental Activities</u>				
Land	\$ 18,680	\$ ----	\$ ----	\$ 18,680
Construction in Progress	55,512	737,309	792,821	----
Total Not Subject to Depreciation	\$ 74,192	\$ 737,309	\$ 792,821	\$ 18,680
<u>Assets Being Depreciated:</u>				
Buildings and Improvements	\$ 117,203	----	----	\$ 117,203
Machinery and Equipment	90,077	7,741	----	97,818
Infrastructure	----	792,821	----	792,821
Total	207,280	800,562	----	1,007,842
Less Accumulated Depreciation	179,459	13,311	----	192,770
Total Net of Depreciation	\$ 27,821	\$ 787,251	\$ ----	\$ 815,072
<u>Business-Type Activities</u>				
Land	\$ 37,015	\$ ----	\$ ----	\$ 37,015
<u>Assets Subject to Depreciation:</u>				
Equipment	\$ 170,247	\$ ----	\$ ----	\$ 170,247
Gas Distribution System	596,179	----	----	596,179
Sewer System	1,889,250	----	----	1,889,250
Water Distribution System	2,063,790	----	----	2,063,790
Total	4,719,466	----	----	4,719,466
Less Accumulated Depreciation	3,538,775	114,714	----	3,653,489
Total Net of Depreciation	\$ 1,180,691	\$ (114,714)	\$ ----	\$ 1,065,977

Depreciation expense reported by various functions is presented as follows:

Governmental Activities:

General Government	\$ 1,302
Police Department	8,706
Streets	3,303
Total Depreciation – Governmental Activities	\$ 13,311

Business-Type Activities:

Utility Services	\$ 114,714
------------------	------------

NOTE 7- RISK MANAGEMENT

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

Town of Montgomery

Notes To Financial Statements

December 31, 2020

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

NOTE 8 – OPERATING TRANSFERS

In order to supplement the general fund and provide resources necessary for the general fund to meet its obligations, various funds have provided transfers to the general fund. These transfers are summarized as follows:

	Transfers In (Out)	
	General Fund	Utility Fund
Transfers from funds with unrestricted surpluses to funds in need of additional resources	\$ 18,063	\$ (18,063)

Town of Montgomery

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended December 31, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 72,000	\$ 87,000	\$ 91,108	\$ 4,108
Occupational licenses	32,000	33,000	34,936	1,936
Intergovernmental	-	-	657	657
Fines and Court Cost	25,000	35,000	37,742	2,742
Miscellaneous	12,900	6,900	9,697	2,797
Total revenues	141,900	161,900	174,140	12,240
<u>General Government:</u>				
Current				
General government	100,000	106,000	85,507	20,493
Public safety (law enforcement)	80,000	72,000	86,852	(14,852)
Public safety (fire)	-	-	7,171	(7,171)
Public works (streets)	14,000	14,000	14,444	(444)
Culture and recreation	8,000	6,000	7,760	(1,760)
Contingency	-	-	-	-
Capital outlay	25,000	15,000	-	15,000
Total expenditures	227,000	213,000	201,734	11,266
Excess (deficiency) of revenues over expenditures	(85,100)	(51,100)	(27,594)	23,506
Other sources (uses)				
Operating transfers in	74,000	30,000	18,063	(11,937)
Operating transfers out	-	-	-	-
Net Change in Fund Balances	(11,100)	(21,100)	(9,531)	11,569
Fund balance - beginning of year	29,669	29,669	29,669	-
Fund balance - end of year	\$ 18,569	\$ 8,569	\$ 20,138	\$ 11,569

TOWN OF MONTGOMERY
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
Year Ended December 31, 2020

Delores LeBaron	1,020
Jarrold Pinder	265
Sabrina Kuhlmann	605
Releida James	735
Von Gilcrease	850
Thomas Gongre	<u>625</u>
Total	<u><u>\$ 4,100</u></u>

Town of Montgomery

Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer For the year ended December 31, 2020

	<u>Agency Head (Mayor)</u>	
	Carl Hale	Steve Gunn
Purpose:		
Compensation	\$ -	\$ -
Benefits	-	-
Reimbursements	-	-
	<hr/>	
Total	<u>\$ -</u>	<u>\$ -</u>

Town of Montgomery

**Justice System Funding Schedule - Collecting / Disbursing Entity
As Required by Act 87 of the 2020 Regular Legislative Session -
Cash Basis Presentation
For the Year Ended December 31, 2020**

	First Six Month Period Ended June 30, 2020	Second Six Month Period Ended December 31, 2020
Beginning Balance of Amounts Collected	\$ -	\$ -
Add: Collections		
Criminal Criminal/Costs/Fees	22,778	14,975
Subtotal Collections	<u>22,778</u>	<u>14,975</u>
Less: Disbursements to Governments & Nonprofits		
Central Louisiana Juvenile Detention Center	405	375
Dept. of Health and Hospitals - Head Injury Fund	110	185
Louisiana Commission on Law Enforcement - Court Cost	106	98
Louisiana Supreme Court Assessment	15	20
North Louisiana Crime Lab - Court Cost	290	340
State of Louisiana - CMIS Assessment	54	59
Less: Amounts Retained by the Town of Montgomery		
Self Disbursed Court Cost	21,798	13,898
Subtotal Disbursements / Retainage	<u>22,778</u>	<u>14,975</u>
Ending Balance of Amounts Collected but not Disbursed	<u>\$ -</u>	<u>\$ -</u>



June 24, 2021

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We were engaged to audit, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Montgomery's basic financial statements, and have issued our report thereon dated June 24, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town of Montgomery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Montgomery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Montgomery's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify



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any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Montgomery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2020-001.

RESPONSE TO FINDINGS

The Town of Montgomery's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Montgomery's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rozier, McKay & Willis
Certified Public Accountants

Town of Montgomery

Schedule of Findings

For the Year Ended December 31, 2020

PART I

Summary of Auditor's Results

- The Independent Auditors' Report on the financial statements of the Town of Montgomery as of December 31, 2020 and for the year then ended expressed an unmodified opinion.
- The audit did not disclose audit findings which are required to be reported as reportable conditions or material weaknesses.
- The results of the audit disclosed an instance of noncompliance that are considered to be material to the financial statements of the Town of Montgomery.

PART II

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Governmental Auditing Standards

2020-001: MINUTES

CONDITION

Minutes were not available for a period of four months.

CRITERIA

Louisiana Law requires minutes to be taken and published for each meeting.

CAUSE

Turnover in clerical positions apparently resulted in failure to complete this task.

EFFECT

Violation of State Law.

RECOMMENDATION

Establish procedures for archiving minutes in bound volumes that are arranged in chronological order.

Town of Montgomery

Management's Corrective Action Plan For the Year Ended December 31, 2020

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>2020-001: MINUTES</u> Minutes were not available for a period of four months, resulting in a violation of State Law. The oversight appears to have been caused by turnover in clerical positions that resulted in an oversight. We suggest establishing procedures for archiving minutes in bound volumes that are arranged in chronological order.	<u>2020-001: MINUTES</u> Supplies necessary for arranging and preserving minutes in bound volumes have been purchased and the process will be implemented in the near future.
SECTION II MANAGEMENT LETTER	
No management letter was issued.	Response – N/A

Town of Montgomery

Schedule of Prior Year Findings For the Year Ended December 31, 2020

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No findings that are material to the financial statements were reported.	Response – N/A
SECTION II MANAGEMENT LETTER	
No management letter was issued.	Response – N/A