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TOWN OF GLENMORA, LOUISIANA

Financial Report

Year Ended June 30, 2006

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Release Date 5-16-07

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Nixon, CPA*

Tynes E. Nixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA, CVA
Mandy B. Self, CPA
Chris E. Bilski, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8680

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 West Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

WEB SITE:
WWW.KCSRCPAS.COM

INDEPENDENT AUDITORS' REPORT

The Honorable Joseph L. Rivers, Mayor,
and Members of the Board of Aldermen
Town of Glenmora, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Glenmora, Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the Town as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic 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 Glenmora, Louisiana, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 19, 2007, on our consideration of the Town of Glenmora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the internal control over financial reporting or on compliance. 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.

The required supplementary information on page 42 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Town of Glenmora has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Glenmora's basic financial statements. The other supplementary information on pages 45 through 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Glenmora. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
March 19, 2007

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF GLENMORA, LOUISIANA

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 83,808	\$ 94,529	\$ 178,337
Receivables, net	53,937	120,944	174,881
Due from other governmental units	151,256	-	151,256
Prepaid items	30,288	-	30,288
Total current assets	<u>319,289</u>	<u>215,473</u>	<u>534,762</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	-	51,048	51,048
Capital assets, net	<u>1,605,170</u>	<u>4,809,995</u>	<u>6,415,165</u>
Total noncurrent assets	<u>1,605,170</u>	<u>4,861,043</u>	<u>6,466,213</u>
Total assets	<u>1,924,459</u>	<u>5,076,516</u>	<u>7,000,975</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	95,466	54,113	149,579
Internal balances	106,675	(106,675)	-
Bonds and certificates payable	22,000	327,847	349,847
Deferred revenue	114,790	-	114,790
Accrued interest	5,054	153,048	158,102
Total current liabilities	<u>343,985</u>	<u>428,333</u>	<u>772,318</u>
Noncurrent liabilities:			
Customers deposits payable	-	50,046	50,046
Bonds and certificates payable	<u>215,000</u>	<u>2,854,907</u>	<u>3,069,907</u>
Total noncurrent liabilities	<u>215,000</u>	<u>2,904,953</u>	<u>3,119,953</u>
Total liabilities	<u>558,985</u>	<u>3,333,286</u>	<u>3,892,271</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,597,332	1,955,088	3,552,420
Restricted for debt service	-	-	-
Unrestricted	<u>(231,858)</u>	<u>(211,858)</u>	<u>(443,716)</u>
Total net assets	<u>\$1,365,474</u>	<u>\$1,743,230</u>	<u>\$ 3,108,704</u>

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

TOWN OF GLENMORA, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2006

Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 199,447	\$ 58,091	\$ -	\$ -	\$ (141,356)	\$ -	\$ (141,356)
Public safety:							
Police	226,482	86,015	-	-	(140,467)	-	(140,467)
Fire	52,191	-	-	-	(52,191)	-	(52,191)
Streets	148,256	-	9,475	-	(138,781)	-	(138,781)
Sanitation	72,719	-	-	-	(72,719)	-	(72,719)
Culture and recreation	30,636	-	-	145,726	115,090	-	115,090
Interest on long-term debt	19,977	-	-	-	(19,977)	-	(19,977)
Total governmental activities	<u>749,708</u>	<u>144,106</u>	<u>9,475</u>	<u>145,726</u>	<u>(450,401)</u>	<u>-</u>	<u>(450,401)</u>
Business-type activities:							
Water & sewer	567,252	520,468	-	-	-	(46,784)	(46,784)
Gas	332,764	332,214	-	-	-	(550)	(550)
Total business-type activities	<u>900,016</u>	<u>852,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,334)</u>	<u>(47,334)</u>
Total	<u>\$ 1,649,724</u>	<u>\$ 996,788</u>	<u>\$ 9,475</u>	<u>\$ 145,726</u>	<u>\$ (450,401)</u>	<u>\$ (47,334)</u>	<u>\$ (497,735)</u>
General revenues:							
Taxes -							
Ad valorem taxes, levied for general purposes		15,948			15,948		15,948
Sales and use taxes, levied for general purposes		349,280			349,280		349,280
Sales and use taxes, levied for fire department		54,826			54,826		54,826
Franchise taxes		66,372			66,372		66,372
Beer taxes		3,470			3,470		3,470
Interest and investment earnings		4,437		503	4,437	503	4,940
Miscellaneous		42,847			42,847		42,847
Transfers		15,000			15,000	(15,000)	-
Total general revenues and transfers		<u>552,180</u>		<u>(14,497)</u>	<u>537,683</u>		<u>537,683</u>
Change in net assets		101,779			101,779	(61,831)	39,948
Net assets, as restated - July 1, 2005		1,263,695			1,263,695	1,805,061	3,068,756
Net assets - June 30, 2006		<u>\$ 1,365,474</u>			<u>\$ 1,743,230</u>		<u>\$ 3,108,704</u>

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Enterprise Funds

Water and Sewer Fund -

To account for the provision of water and sewerage services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Gas Fund -

To account for the provision of natural gas services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF GLENMORA, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2006

	General	Other Governmental Funds	Total
ASSETS			
Cash	\$ 56,088	\$ 27,720	\$ 83,808
Receivables, net of allowances for uncollectible amounts:			
Taxes	825	-	825
Notes	-	52,587	52,587
Accrued interest	-	525	525
Due from other governmental units	151,256	-	151,256
Due from other funds	-	2,887	2,887
Prepaid expenses	30,288	-	30,288
Total assets	\$238,457	\$ 83,719	\$322,176
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and other payables	\$ 95,466	\$ -	\$ 95,466
Due to other funds	102,025	7,537	109,562
Deferred revenue	114,790	-	114,790
Total liabilities	312,281	7,537	319,818
Fund balances (deficit) -			
Reserved for debt service	-	17,612	17,612
Unreserved, undesignated	(73,824)	58,570	(15,254)
Total fund balances	(73,824)	76,182	2,358
Total liabilities and fund balances	\$238,457	\$ 83,719	\$322,176

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

TOWN OF GLENMORA, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2006

Total fund balances for governmental funds at June 30, 2006		\$	2,358
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:			
Land		\$	67,975
Buildings and improvements, net of \$99,855 accumulated depreciation			1,100,975
Infrastructure, net of \$52,910 accumulated depreciation			371,932
Equipment, furniture, and fixtures, net of \$200,945 accumulated depreciation			50,564
Vehicles, net of \$429,999 accumulated depreciation			<u>13,724</u>
			1,605,170
Long-term liabilities at June 30, 2006:			
Certificates of indebtedness payable		(209,000)	
Bonds payable		(28,000)	
Accrued interest payable		<u>(5,054)</u>	<u>(242,054)</u>
Total net assets of governmental activities at June 30, 2006			<u>\$1,365,474</u>

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

TOWN OF GLENMORA, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2006

	General	Other Governmental Funds	Total
Revenues:			
Taxes	\$ 486,426	\$ -	\$ 486,426
Licenses and permits	58,091	-	58,091
Intergovernmental	158,671	-	158,671
Fines and forfeits	86,015	-	86,015
Miscellaneous	29,797	17,487	47,284
Total revenues	<u>819,000</u>	<u>17,487</u>	<u>836,487</u>
Expenditures:			
Current -			
General government:			
Administrative	193,856	201	194,057
Public safety:			
Police	192,449	-	192,449
Fire	52,191	-	52,191
Highways and streets	130,235	-	130,235
Sanitation	72,719	-	72,719
Culture and recreation	16,175	-	16,175
Capital outlay	162,720	-	162,720
Debt service -			
Principal retirement	4,000	17,000	21,000
Interest and fiscal charges	1,608	14,125	15,733
Total expenditures	<u>825,953</u>	<u>31,326</u>	<u>857,279</u>
Excess (deficiency) of revenues over expenditures	<u>(6,953)</u>	<u>(13,839)</u>	<u>(20,792)</u>
Other financing sources (uses):			
Transfers in	201,317	38,292	239,609
Transfers out	<u>(38,292)</u>	<u>(186,317)</u>	<u>(224,609)</u>
Total other financing sources (uses)	<u>163,025</u>	<u>(148,025)</u>	<u>15,000</u>
Net changes in fund balances	156,072	(161,864)	(5,792)
Fund balances (deficit), beginning	<u>(229,896)</u>	<u>238,046</u>	<u>8,150</u>
Fund balances (deficit), ending	<u>\$ (73,824)</u>	<u>\$ 76,182</u>	<u>\$ 2,358</u>

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

TOWN OF GLENMORA, 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, 2006

Total net changes in fund balances at June 30, 2006 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (5,792)						
The change in net assets reported for governmental activities in the statement of activities is different because:							
<p>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 which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances</p>							
Depreciation expense for the year ended June 30, 2006	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">\$ 162,720</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>(71,458)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">91,262</td> </tr> </table>		\$ 162,720		<u>(71,458)</u>		91,262
	\$ 162,720						
	<u>(71,458)</u>						
	91,262						
<p>Governmental funds report bonded debt repayments as expenditures. However, this expenditure does not appear in the statement of activities since the payment is applied against the bond payable balance on the state- ment of net assets</p>							
	21,000						
<p>Difference between interest on long-term debt on modified accrual basis versus interest on long-term debt on accrual basis</p>							
	<u>(4,691)</u>						
 Total changes in net assets at June 30, 2006 per Statement of Activities	 <u>\$ 101,779</u>						

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

TOWN OF GLENMORA, LOUISIANA

Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Water & Sewer</u>	<u>Gas</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 40,911	\$ 53,618	\$ 94,529
Receivables, net of allowances for uncollectible amounts:			
Accounts	66,554	24,442	90,996
Unbilled utility receivables	24,333	5,573	29,906
Accrued interest receivable	42	-	42
Due from other funds	<u>93,515</u>	<u>73,457</u>	<u>166,972</u>
Total current assets	<u>225,355</u>	<u>157,090</u>	<u>382,445</u>
Noncurrent assets:			
Restricted assets -			
Cash	6,489	-	6,489
Interest-bearing deposits	27,588	16,971	44,559
Capital assets, net of accumulated depreciation	<u>4,097,976</u>	<u>712,019</u>	<u>4,809,995</u>
Total noncurrent assets	<u>4,132,053</u>	<u>728,990</u>	<u>4,861,043</u>
Total assets	<u>4,357,408</u>	<u>886,080</u>	<u>5,243,488</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	37,313	16,800	54,113
Due to other funds	950	59,347	60,297
Payable from restricted assets -			
Revenue bonds	160,911	166,936	327,847
Accrued interest payable	<u>114,713</u>	<u>38,335</u>	<u>153,048</u>
Total current liabilities	<u>313,887</u>	<u>281,418</u>	<u>595,305</u>
Noncurrent liabilities:			
Customers' deposits	29,202	20,844	50,046
Revenue bonds payable	<u>2,587,447</u>	<u>267,460</u>	<u>2,854,907</u>
Total noncurrent liabilities	<u>2,616,649</u>	<u>288,304</u>	<u>2,904,953</u>
Total liabilities	<u>2,930,536</u>	<u>569,722</u>	<u>3,500,258</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,510,529	444,559	1,955,088
Restricted for debt service	-	-	-
Unrestricted	<u>(83,657)</u>	<u>(128,201)</u>	<u>(211,858)</u>
Total net assets	<u>\$ 1,426,872</u>	<u>\$ 316,358</u>	<u>\$ 1,743,230</u>

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

TOWN OF GLENMORA, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2006

	<u>Water & Sewer</u>	<u>Gas</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 510,489	\$ 329,638	\$ 840,127
Permits, reconnections and penalties	4,050	410	4,460
Miscellaneous	<u>5,929</u>	<u>2,166</u>	<u>8,095</u>
Total operating revenues	<u>520,468</u>	<u>332,214</u>	<u>852,682</u>
Operating expenses:			
Salaries and benefits	60,006	48,923	108,929
Gas purchases	-	131,323	131,323
Legal and professional	24,034	38,490	62,524
Lab fees	2,225	-	2,225
Repairs and maintenance	34,407	1,317	35,724
Insurance	45,922	39,407	85,329
Plant and water well power	71,973	-	71,973
Safe drinking water fees	13,124	-	13,124
Truck expense	4,754	4,484	9,238
Training and certification	1,204	4,425	5,629
Telephone and utilities	25,764	3,056	28,820
Bad debt expense	-	4,312	4,312
Supplies	27,250	3,043	30,293
Office expense	3,892	2,568	6,460
Miscellaneous	5,708	692	6,400
Depreciation expense	<u>128,972</u>	<u>27,385</u>	<u>156,357</u>
Total operating expenses	<u>449,235</u>	<u>309,425</u>	<u>758,660</u>
Operating income	<u>71,233</u>	<u>22,789</u>	<u>94,022</u>
Nonoperating revenues (expenses):			
Interest income	336	167	503
Interest expense	<u>(118,017)</u>	<u>(23,339)</u>	<u>(141,356)</u>
Total nonoperating revenues (expenses)	<u>(117,681)</u>	<u>(23,172)</u>	<u>(140,853)</u>
Income before transfers	<u>(46,448)</u>	<u>(383)</u>	<u>(46,831)</u>
Transfers in (out):			
Transfers out	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Total transfers in (out)	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Change in net assets	(61,448)	(383)	(61,831)
Net assets, beginning	<u>1,488,320</u>	<u>316,741</u>	<u>1,805,061</u>
Net assets, ending	<u>\$1,426,872</u>	<u>\$ 316,358</u>	<u>\$1,743,230</u>

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

TOWN OF GLENMORA, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2006

	<u>Water & Sewer</u>	<u>Gas</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 487,448	\$ 318,769	\$ 806,217
Payments to suppliers	(232,870)	(217,834)	(450,704)
Payments to employees	<u>(60,006)</u>	<u>(48,923)</u>	<u>(108,929)</u>
Net cash provided by operating activities	<u>194,572</u>	<u>52,012</u>	<u>246,584</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(15,000)</u>	-	<u>(15,000)</u>
Cash flows from capital and related financing activities:			
Principal paid on revenue bonds payable	(41,259)	-	(41,259)
Interest and fiscal charges paid on revenue bonds	(133,546)	-	(133,546)
Net increase in customer meter deposits	<u>2,667</u>	<u>1,426</u>	<u>4,093</u>
Net cash provided (used) by capital and related financing activities	<u>(172,138)</u>	<u>1,426</u>	<u>(170,712)</u>
Cash flows from investing activities:			
Interest earned	<u>507</u>	<u>167</u>	<u>674</u>
Net increase in cash and cash equivalents	7,941	53,605	61,546
Cash and cash equivalents, beginning of period	<u>59,371</u>	<u>16,984</u>	<u>76,355</u>
Cash and cash equivalents, end of period	<u>\$ 67,312</u>	<u>\$ 70,589</u>	<u>\$ 137,901</u>

(continued)

TOWN OF GLENMORA, LOUISIANA

Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2006

	Water & Sewer	Gas	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 71,233	\$ 22,789	\$ 94,022
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	128,972	27,385	156,357
Changes in current assets and liabilities:			
Increase in accounts receivable	(29,485)	(19,331)	(48,816)
Increase in provision for uncollectible accounts	-	4,312	4,312
(Increase) decrease in unbilled utility receivables	(3,535)	(1,309)	(4,844)
(Increase) decrease in due from other funds	(3,000)	-	(3,000)
Increase (decrease) in due to other funds	-	3,000	3,000
Increase in accounts payable	30,387	15,166	45,553
Net cash provided by operating activities	\$ 194,572	\$ 52,012	\$ 246,584
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:			
Cash and cash equivalents, beginning of period -			
Cash - unrestricted	\$ 38,822	\$ 6,936	\$ 45,758
Cash - restricted	5,355	-	5,355
Interest-bearing deposits - restricted	22,794	10,048	32,842
Less: Interest-bearing deposits with maturity in excess of 90 days	(7,600)	-	(7,600)
Total cash and cash equivalents	59,371	16,984	76,355
Cash and cash equivalents, end of period -			
Cash - unrestricted	40,911	53,618	94,529
Cash - restricted	6,489	-	6,489
Interest-bearing deposits - restricted	27,588	16,971	44,559
Less: Interest-bearing deposits with maturity in excess of 90 days	(7,676)	-	(7,676)
Total cash and cash equivalents	67,312	70,589	137,901
Net increase	\$ 7,941	\$ 53,605	\$ 61,546

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

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Glenmora (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Town of Glenmora was incorporated in 1914 under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

As the municipal governing authority, for reporting purposes, the Town of Glenmora is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, (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, and (d) organizations that are closely related to, or financially integrated with the primary government.

Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39 established criteria for determining which component units should be considered part of the Town of Glenmora 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. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality 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 municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship if all of the following conditions exist:
 - a. The economic resources received or held by the organization are entirely or almost entirely for the direct benefit for the primary government, its component units, or its constituents.
 - b. The primary government (or its component units) is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
 - c. The economic resources received or held by an individual organization that the specific primary government (or its component units) is entitled to, or has the ability to otherwise access, are significant to that primary government.
4. Organizations that are closely related to, or financially integrated with the primary government.

Based upon the aforementioned criteria, the Town of Glenmora has no component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Town are described below:

Governmental Funds -

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.

Additionally, the Town reports the following fund types:

Proprietary Funds --

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income, financial position, and cash flows. The following is the Town's proprietary fund types:

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues 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 FASB pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise funds. The Town's enterprise funds are the Water & Sewer Utility and the Gas Utility Fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town.

Under state law, the Town may invest in United States bonds, treasury notes, or certificates. Investments are stated at amortized cost.

For the purpose of the proprietary funds statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes and economic development notes receivable. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible ad valorem taxes, notes, or utility service receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2006, an allowance for ad valorem taxes was considered unnecessary due to immateriality. The allowance for customers' utility receivables was \$19,312 at June 30, 2006. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary funds that are legally restricted as to their use. The restricted assets in the water and sewer utility fund and the gas utility fund are related to the utility meter deposits and revenue bond accounts.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, 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 cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-40 years
Machinery and equipment	10 years
Vehicles	3-5 years
Utility system and improvements	25-50 years
Infrastructure	20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term debt

The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of water revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund financial statements as it is in the government-wide statements

Compensated Absences

Employees of the Town may earn up to ten days of vacation time depending upon type and length of service. Hourly employees may earn up to five days of sick leave per year. All other employees take sick leave on an as needed basis; however, they do not accrue any sick leave. All vacation and sick leave accrues on a calendar year basis with all unused sick leave being paid to the hourly employees in December. For fund financial statements, vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a current fund liability of the governmental fund that will pay it. In the government-wide statements, amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are recorded as long-term debt. The Town's liability for unused compensated absences was considered to be immaterial at June 30, 2006 and is therefore excluded from these financial statements.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character
- Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 3
Gas, Water and Sewer revenue	Debt service and utility operations

The Town uses unrestricted resources only when restricted resources are fully depleted.

G. Budget and Budgetary Accounting

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

1. The Town Clerk prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, the date of the public hearing is published.
3. After holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. All budgetary appropriations lapse at the end of the fiscal year.
5. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations. Budgetary control is exercised at the fund level.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

The original budget was adopted on June 28, 2005, and is reflected in the budget comparison statement. The budget was not amended during the year.

H. Capitalization of Interest Expense

It is the policy of the Town of Glenmora to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets in the Proprietary Funds. At June 30, 2006, there were no borrowings for assets under construction and no capitalized interest expense was recorded on the books.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures 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 by the Town in September or October and are actually billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Rapides Parish. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the year ended June 30, 2006, taxes of 5.20 mills were levied on property with assessed valuations totaling \$3,374,994 and were dedicated as follows:

General corporate purposes	5.20 mills
----------------------------	------------

Total taxes levied were \$17,550. Ad valorem taxes receivable was \$825 at June 30, 2006.

(3) Sales and Use Tax

The Town collects sales tax under four sales tax levies as follows. The first levy is a 7.3% allocation of a 1% sales tax administered by the Rapides Parish. This tax is available for the Town's use for any lawful corporate purpose. The tax was approved for an indefinite period. Second is a city tax of 1% to be used for any public purpose authorized by state law. The third sales tax levy is a ½% tax for the purpose of construction, improvement, and maintenance and repairs of road and bridges. The fourth levy is a ½% tax for the purpose of operating the fire department and debt service associated with the fire department. All four sales tax levies are collected by the Rapides Parish Sales and Use Tax Department and is remitted on a monthly basis.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2006, the Town had cash and interest-bearing deposits (book balances) totaling \$229,385 as follows:

Cash on hand	\$ 75
Demand deposits	147,023
Time deposits	7,676
Money market accounts	<u>74,611</u>
 Total	 <u>\$ 229,385</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2006 were secured as follows:

Bank balances	<u>\$ 238,442</u>
Federal deposit insurance	\$ 182,287
Pledged securities (Category 3)	<u>56,155</u>
 Total FDIC insurance and pledged securities	 <u>\$ 238,442</u>

Pledged securities in Category 3 include uninsured or unregistered investments, for which securities are held by the broker or dealer, or by its trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Receivables

Receivables at June 30, 2006 of \$174,881 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts(net of allowance for bad debts of \$19,312)	\$ -	\$ 90,996	\$ 90,996
Unbilled utility	-	29,906	29,906
Notes (see Note 7)	52,587	-	52,587
Taxes	825	-	825
Interest	<u>525</u>	<u>42</u>	<u>567</u>
Totals	<u>\$ 53,937</u>	<u>\$ 120,944</u>	<u>\$ 174,881</u>

(6) Due from Other Governmental Units

Amounts due from other governmental units of \$151,256 at June 30, 2006 consisted of the following:

General Fund:

Amount due from the Rapides Parish Police Jury for sales tax collections.	\$ 36,466
Amount due from the Rapides Parish Police Jury for road district property taxes.	<u>114,790</u>
	<u>\$ 151,256</u>

(7) Notes Receivable

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

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Reggie's Restaurant-\$56,715, 240 payments of \$407 per month including interest at 6%	\$ 52,587
Glenmora Tailor Shop-\$62,241, 228 payments of \$449 per month including interest at 5.75%	<u>58,248</u>
	110,835
Less allowance for doubtful accounts	<u>(58,248)</u>
Total	<u>\$ 52,587</u>

Glenmora Tailor Shop loan was approximately 273 days past due at June 30, 2006. According to the refinance agreement the town should foreclose on any note that is sixty days past due. The town has not foreclosed according to the terms of the note.

Including the effects of the allowance for doubtful accounts, the amount not expected to be collected within one year is \$50,637.

(8) Restricted Assets

Restricted assets in the water & sewer and gas utility funds consisted of the following at June 30, 2006:

	<u>Water & Sewer</u>	<u>Gas</u>	<u>Total</u>
Customer meter deposits	\$ 7,676	\$ -	\$ 7,676
Bond and interest sinking fund	6,407	6,650	13,057
Bond reserve fund	11,054	689	11,743
Depreciation and contingency fund	<u>8,940</u>	<u>9,632</u>	<u>18,572</u>
Total enterprise utility fund restricted assets	<u>\$ 34,077</u>	<u>\$ 16,971</u>	<u>\$ 51,048</u>

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>07/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/06</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,975	\$ -	\$ -	\$ 67,975
Construction in progress	737,217	124,500	861,717	-
Other capital assets:				
Buildings	339,113	861,717	-	1,200,830
Infrastructure	424,842	-	-	424,842
Equipment, furniture and fixtures	216,573	38,220	3,284	251,509
Vehicles	448,723	-	5,000	443,723
Totals	<u>2,234,443</u>	<u>1,024,437</u>	<u>870,001</u>	<u>2,388,879</u>
Less accumulated depreciation				
Buildings	77,554	22,301	-	99,855
Infrastructure	42,155	10,755	-	52,910
Equipment, furniture and fixtures	194,414	9,815	3,284	200,945
Vehicles	406,412	28,587	5,000	429,999
Total accumulated depreciation	<u>720,535</u>	<u>71,458</u>	<u>8,284</u>	<u>783,709</u>
Governmental activities, capital assets, net	<u>\$ 1,513,908</u>	<u>\$ 952,979</u>	<u>\$ 861,717</u>	<u>\$ 1,605,170</u>
Business-type activities:				
Gas system utility -				
Distribution system	\$ 1,052,916	-	-	\$ 1,052,916
Gas lines	158,438	-	-	158,438
Meters and regulators	4,717	-	-	4,717
Utility relocation	129,706	-	-	129,706
Equipment	25,080	-	5,697	19,383
Totals	<u>1,370,857</u>	<u>-</u>	<u>5,697</u>	<u>1,365,160</u>
Less accumulated depreciation				
Distribution system	492,874	21,058	-	513,932
Gas lines	103,400	2,628	-	106,028
Meters and regulators	3,773	94	-	3,867
Utility relocation	9,079	2,594	-	11,673
Equipment	22,327	1,011	5,697	17,641
Total accumulated depreciation	<u>631,453</u>	<u>27,385</u>	<u>5,697</u>	<u>653,141</u>
Gas utility, net	<u>\$ 739,404</u>	<u>\$ (27,385)</u>	<u>\$ -</u>	<u>\$ 712,019</u>

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>Balance</u> <u>07/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/06</u>
Water and sewer utility -				
Distribution system	\$ 1,517,057	\$ -	\$ -	\$ 1,517,057
Water tank and wells	342,887	-	-	342,887
Sewer system	3,281,101	-	-	3,281,101
Utility relocation	358,029	-	-	358,029
Equipment	160,304	-	5,697	154,607
Totals	<u>5,659,378</u>	<u>-</u>	<u>5,697</u>	<u>5,653,681</u>
Less accumulated depreciation				
Distribution system	187,862	30,341	-	218,203
Water tank and wells	184,846	7,985	-	192,831
Sewer system	931,539	66,053	-	997,592
Utility relocation	22,727	7,161	-	29,888
Equipment	105,456	17,432	5,697	117,191
Total accumulated depreciation	<u>1,432,430</u>	<u>128,972</u>	<u>5,697</u>	<u>1,555,705</u>
Water and sewer utility, net	<u>\$ 4,226,948</u>	<u>\$ (128,972)</u>	<u>\$ -</u>	<u>\$ 4,097,976</u>
Business-type activities, capital assets, net	<u>\$ 4,966,352</u>	<u>\$ (156,357)</u>	<u>\$ -</u>	<u>\$ 4,809,995</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 4,943
Public safety - police and fire	34,033
Streets	18,020
Culture and recreation	<u>14,462</u>
Total depreciation expense	<u>\$ 71,458</u>

Depreciation expense was charged to business-type activities as follows:

Gas utility	\$ 27,385
Water and sewer utility	<u>128,972</u>
Total depreciation expense	<u>\$ 156,357</u>

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

(10) Accounts and Other Payables

The accounts and other payables consisted of the following at June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts	\$ 76,235	\$ 54,113	\$ 130,348
Retirement	17,796	-	17,796
Payroll taxes	<u>1,435</u>	<u>-</u>	<u>1,435</u>
Totals	<u>\$ 95,466</u>	<u>\$ 54,113</u>	<u>\$ 149,579</u>

(11) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2006:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>General Obligation</u>	<u>Certificates of Indebtedness</u>	<u>Revenue</u>	<u>Notes</u>	
Long-term debt, July 1, 2005	\$ 32,000	\$ 226,000	\$ 3,210,226	\$ 13,787	\$ 3,482,013
Additions	-	-	-	-	-
Retirements	<u>(4,000)</u>	<u>(17,000)</u>	<u>(39,333)</u>	<u>(1,926)</u>	<u>(62,259)</u>
Long-term debt, June 30, 2006	<u>\$ 28,000</u>	<u>\$ 209,000</u>	<u>\$ 3,170,893</u>	<u>\$ 11,861</u>	<u>\$ 3,419,754</u>

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt payable at June 30, 2006 is comprised of the following individual issues:

Long-term debt -

	<u>Balance 6/30/06</u>	<u>Due Within One Year</u>
\$112,000 Public Improvement Bonds, Series 1973, due in annual installments of \$4,000 through January 1, 2013; interest at 5.00 percent; payable from ad valorem tax revenues.	\$ 28,000	\$ 4,000
\$300,000 Certificartes of Indebtedness, Series 2000 due in annual installments of \$13,000 - \$29,000 through March 1, 2015; interest at 6.25 percent; secured by sales tax revenues.	209,000	18,000
\$816,000 Water and Sewer Revenue Bonds Payable, issued May 2, 1973, due in annual installments of \$48,650 and \$8,546; interest at 5%; secured by water and sewer utility revenues.	326,097	67,700
\$1,136,000 Sewer Expansion Bonds Payable, issued October 10, 2001, due in annual installments of \$61,889 and \$2,772; interest at 4.50%; secured by sewer utility revenues.	1,118,041	37,104
\$1,312,000 Water Expansion Bonds Payable, issued July 19, 2001, due in annual installments of \$73,997 and \$6,650; interest at 4.75%; secured by water utility revenues.	1,292,359	54,066
\$1,110,000 Gas Utility Revenue Bonds Payable, issued October 6, 1980, due in annual installments of \$74,514 through 2010; interest at 5.00%; secured by gas utility revenues.	434,396	166,936
\$38,512 Notes Payable dated April 12, 1985, rescheduled delinquent interest and principal payments to USDA on Water and Sewer Bonds, due in annual installments of \$2,630; interest at 5%.	11,861	2,041
	<u>\$3,419,754</u>	<u>\$ 349,847</u>

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal payments	Interest payments	Principal payments	Interest payments
2007	\$ 22,000	\$ 14,463	\$ 327,847	\$ 471,719
2008	23,000	13,138	129,291	133,459
2009	24,000	11,750	135,838	127,072
2010	26,000	10,300	142,708	120,362
2011	27,000	8,725	149,714	113,312
2012-2016	115,000	17,850	291,748	469,450
2017-2021	-	-	245,784	437,722
2022-2026	-	-	305,091	374,341
2027-2031	-	-	383,710	294,920
2032-2036	-	-	484,623	194,809
2037-2041	-	-	570,126	69,065
2042	-	-	16,274	129
Total	<u>\$ 237,000</u>	<u>\$ 76,226</u>	<u>\$ 3,182,754</u>	<u>\$ 2,806,360</u>

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

1. The Town is required to maintain casualty insurance covering the Natural Gas System and Water and Sewer Systems. The Town did not maintain coverage on the Water System or the Gas System for the year ended June 30, 2006.
2. The Town is required to make payments into various restricted assets accounts as described in Note 8. During the year ended June 30, 2006, the Town failed to make all required payments into the Water and Sewer Utility depreciation and contingency, sinking and reserve accounts and into the Gas depreciation and contingency, sinking and reserve accounts.
3. The Town is past due on the following revenue bonds: (1) 2001 Water Expansion Bond, (2) 2001 Sewer Expansion Bond, (3) 1973 Water and Sewer Bonds, and (4) Gas Revenue Bond. The amount of both principal and interest that was past due at June 30, 2006 is \$40,659, \$26,130, \$48,650 and \$152,435, respectively. The principal amount that is past due as well as the principal amount due next year is shown in the current portion of long-term debt in the above schedule.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

The Town has received approval from the State Bond Commission for a \$232,000 refunding bond and a \$250,000 excess revenue certificate of indebtedness. As of the date of this report neither bond has been purchased. This approval was received in order to help with the restructuring of the bonds, but as of June 30, 2006, no new debt had been acquired.

(12) Flow of Funds; Restrictions on Use – Water and Sewer and Gas System Revenues

Under the terms of the bond indentures on outstanding Utilities System revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utilities Systems are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month, there will be set aside into a fund called "Revenue Bond Sinking Fund" an amount constituting 1/12 of the next maturing principal payment and 1/6 of the next maturing installment of interest on outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments. There shall also be set aside into a "Revenue Bond Reserve Fund" an amount equal to the highest combined principal and interest requirements on the bonds for any succeeding fiscal year. Such amount may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit in the Revenue Bond Sinking Fund and as to which there would otherwise be default. See Note 11 for those items in which make the Town is in default at June 30, 2006. Funds totaling \$60,000 will also be set aside into a "Depreciation and Contingency Fund." These funds may be used for the making of extensions, additions, improvements, renewals and replacement to the systems which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operating expense. However, a balance of \$5,000 must be maintained for the making of emergency repairs or replacements. All revenue received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds for all bond issues shall be regarded as surplus and may be used for any lawful corporate purpose.

(13) Employee Retirement

A. Social Security System

Employees of the Town of Glenmora who are not eligible to participate in any other retirement system are members of the Social Security System. The Town and its employees contribute a percentage of each employee's salary to the System (7.65 percent contributed by the Town; 7.65 percent contributed by the employee). The Town's contributions during the year ending June 30, 2006 amounted to \$29,231.

B. Municipal Employees Retirement System of Louisiana (System)

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

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

The system also provides retirement, death and disability benefits to plan members and beneficiaries. Benefits are established by state statute. The Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees Retirement System, 7037 Office Park Blvd., Baton Rouge, LA 70809 or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. Contributions to the system also include one-fourth of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collected by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Glenmora are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the system under Plan B for the years ended June 30, 2006, 2005 and 2004 were \$12,997, \$15,164 and \$12,385, respectively, equal to the required contributions for each year. Additionally, during the year ended June 30, 2006 the Town contributed \$16,442 for prior service credit for one employee.

(14) Risk Management

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage; however, for fiscal year ending June 30, 2006 the Town did not have casualty insurance coverage on the Natural Gas or Water systems. There have been no significant reductions in the other insurance coverages during the year.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended June 30, 2006 follows:

Tyrone L. Doyle, Mayor	\$22,975
Aldermen:	
Charlene M. Babb	2,250
Jimmie L. Jarrell	2,250
Bernard McCreery	2,250
Reginald Burnaman	2,250
Willie Moore	2,250
David Walker	-
Total	<u>\$34,225</u>

(16) Interfund Receivables/Payables

A. A summary of interfund receivables and payables at June 30, 2006 follows:

	Interfund Receivables	Interfund Payables
Major governmental fund:		
General Fund	\$ -	\$ 102,025
Other governmental funds	2,887	7,537
Proprietary funds:		
Water and sewer fund	93,515	950
Gas fund	<u>73,457</u>	<u>59,347</u>
Total	<u>\$ 169,859</u>	<u>\$ 169,859</u>

The amounts due from the General Fund to various other funds are for short-term loans.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Transfers consisted of the following at June 30, 2006:

	Transfers In	Transfers Out
Major governmental funds:		
General Fund	\$ 201,317	\$ 38,292
Other governmental funds	38,292	186,317
Total governmental funds	239,609	224,609
Proprietary funds:		
Water and sewer fund	-	15,000
Gas system fund	-	-
Total proprietary funds	-	15,000
Total	\$ 239,609	\$ 239,609

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(17) Contract Agreements

On July 15, 2004, the Town contracted for garbage disposal for a period of three years with monthly minimum payments of \$5,513 or \$8.75 per resident if this amount exceeds the minimum monthly payment.

(18) Concentrations of Credit Risk

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

(19) Litigation and Claims

At June 30, 2006, the Town is involved in several lawsuits claiming damages. In the opinion of the Town's legal counsel, the only exposure to the Town would be any costs in defense of the lawsuits with no liability to the Town in excess of insurance coverage.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

(20) Mineral Lease

On October 8, 1996, Chesapeake Operating, Inc. entered into a lease agreement with the Town for mineral rights on approximately 107.37 acres of land for a period of three years. The payments on the rights has been satisfied and royalties are now being paid in the amount of 25% of all oil, gas, and other liquid or gaseous liquids produced, saved, or utilized, but not less than 1/8th. Amounts received under this lease agreement are reported as revenues in the general fund. The amount received for the year ending June 30, 2006 was \$2,396.

(21) Economic Dependency

The Town's natural gas system is dependent on the prices set by the Louisiana Municipal Gas Authority for the purchase of natural gas.

(22) Fiscal Administrator

The Ninth Judicial District Court issued a Consent Judgment on June 30, 2006, that a representative of the Louisiana Legislative Auditor's office serve as the fiscal administrator for the Town of Glenmora. The authority for this ruling lies in Louisiana Revised Statutes 39:1351-1354, and the specifics of this ruling are outlined in the Consent Judgment which give the fiscal administrator the authority to direct all fiscal matters.

To comply with the Consent Judgment, the fiscal administrator must approve all expenditures of Town funds, make timely debt service payments, and prepare an operating plan (budget) for the Town. The fiscal administrator has the authority to employ and terminate Town employees in order to prevent or curtail a deficit.

On October 4, 2006, the fiscal administrator submitted a Report to the Court that included proposed budgets for the Town for the period July 1, 2006 to June 30, 2007. The fiscal administrator will review the operating plan monthly and make amendments as considered necessary to fulfill his duties. The fiscal administrator will continue until the Town can demonstrate fiscal responsibility in making debt service payments and properly managing the business affairs of the Town.

(23) Subsequent Event

The Compliance Division of the Louisiana Legislative Auditor's office and the Ninth Judicial District Attorney are currently investigating possible unauthorized withdrawals and other transactions made by a former Town Clerk who was employed by the Town from July 26, 2006 through November 13, 2006. The outcome of this investigation is pending.

TOWN OF GLENMORA, LOUISIANA

Notes to Basic Financial Statements (Continued)

(24) Revenue Shortfall

The general fund had a 23% variance of actual revenues under budgeted revenues for the year ended June 30, 2006.

<u>Funds</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$ 1,059,453</u>	<u>\$ 1,059,453</u>	<u>\$ 819,000</u>	<u>\$ (240,453)</u>

(25) Deficit Fund Balances

The General Fund has a deficit fund balance of \$73,824 as of June 30, 2006. The deficit will be eliminated by increasing revenues and/or reducing expenditures. Also the Gas and Sewer Sinking Debt Service Funds have deficit fund balances of \$870 and \$2,871, respectively, as of June 30, 2006. The deficit will be eliminated by transferring monies from other funds.

(26) Follow-up on Going Concern

In the prior year, a going concern auditors' opinion was reported for the Town. This was in part the result of the Town's utility enterprise funds experiencing continued losses. These continued losses had depleted the funds reserves and the Town was in default on its debt obligations. For the year ended June 30, 2006 the Town's Water and Sewer and Gas Utility Funds reported operating income. Although the Town is still delinquent on their debt payments, as of report date, the Town has consistently made payments on its debt obligations and made the required transfers into the sinking, reserve, and contingency funds since July 2006. The Town is also making preparations to negotiate a debt restructuring with USDA. These improvements are the result of utility rates being increased at the end of June 2006 and budget cuts implemented by the fiscal administrator. As a result, no going concern auditors' opinion was issued for the year ending June 30, 2006.

(27) Prior-period Adjustment

Governmental activities beginning net assets at July 1, 2005 has been adjusted to correct an error in the amount of long-term debt recorded on the balance sheet at June 30, 2005. Had the error not been made, net assets at June 30, 2005 would have increased \$2,359 to \$1,263,695.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF GLENMORA, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes -				
Sales	\$ 427,000	\$ 427,000	\$ 404,106	\$ (22,894)
Ad valorem	15,000	15,000	15,948	948
Franchise	55,400	55,400	66,372	10,972
Licenses and permits	36,000	36,000	58,091	22,091
Intergovernmental -				
Federal grants - FEMA	10,000	10,000	9,475	(525)
State grants	202,403	202,403	145,726	(56,677)
Beer tax	3,100	3,100	3,470	370
Parish reimbursement for road tax	120,000	120,000	-	(120,000)
Fines and forfeits	145,000	145,000	86,015	(58,985)
Miscellaneous	45,550	45,550	29,797	(15,753)
Total revenues	<u>1,059,453</u>	<u>1,059,453</u>	<u>819,000</u>	<u>(240,453)</u>
Expenditures:				
Current:				
General government:				
Administrative	263,300	263,300	193,856	69,444
Public safety:				
Police	196,200	196,200	192,449	3,751
Fire	108,800	108,800	52,191	56,609
Highways and streets	137,300	137,300	130,235	7,065
Sanitation	66,100	66,100	72,719	(6,619)
Culture and recreation	3,000	3,000	16,175	(13,175)
Capital outlay	37,000	37,000	162,720	(125,720)
Debt service	-	-	5,608	(5,608)
Total expenditures	<u>811,700</u>	<u>811,700</u>	<u>825,953</u>	<u>(14,253)</u>
Excess of revenues over expenditures	<u>247,753</u>	<u>247,753</u>	<u>(6,953)</u>	<u>(254,706)</u>
Other financing sources (uses):				
Transfers in	70,000	70,000	201,317	131,317
Transfers out	-	-	(38,292)	(38,292)
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>	<u>163,025</u>	<u>93,025</u>
Excess of revenues and other sources over expenditures and other uses	317,753	317,753	156,072	(161,681)
Fund balance (deficit), beginning	<u>(229,896)</u>	<u>(229,896)</u>	<u>(229,896)</u>	-
Fund balance (deficit), ending	<u>\$ 87,857</u>	<u>\$ 87,857</u>	<u>\$ (73,824)</u>	<u>\$(161,681)</u>

OTHER SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

TOWN OF GLENMORA, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2006

		Debt Service			
	Special Revenue	Fire Sinking	Gas Sinking	Sewer Sinking	Total
ASSETS					
Cash	\$ 6,458	\$ 20,947	\$ 117	\$ 198	\$ 27,720
Receivables, net of allowance for uncollectible amounts	53,112	-	-	-	53,112
Due from other funds	-	-	950	1,937	2,887
Total assets	<u>\$ 59,570</u>	<u>\$ 20,947</u>	<u>\$ 1,067</u>	<u>\$ 2,135</u>	<u>\$ 83,719</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 1,000	\$ -	\$ 1,937	\$ 4,600	\$ 7,537
Fund balances (deficit):					
Reserved for debt service	-	20,947	(870)	(2,465)	17,612
Unreserved, undesignated	58,570	-	-	-	58,570
Total fund balances (deficit)	<u>58,570</u>	<u>20,947</u>	<u>(870)</u>	<u>(2,465)</u>	<u>76,182</u>
Total liabilities and fund balances	<u>\$ 59,570</u>	<u>\$ 20,947</u>	<u>\$ 1,067</u>	<u>\$ 2,135</u>	<u>\$ 83,719</u>

TOWN OF GLENMORA, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	Special Revenue	Debt Service			Total
		Fire Sinking	Gas Sinking	Sewer Sinking	
Revenues:					
Miscellaneous -					
Interest	\$ 3,362	\$ 803	\$ 1	\$ 2	\$ 4,168
Other	12,510	-	405	404	13,319
Total revenues	<u>15,872</u>	<u>803</u>	<u>406</u>	<u>406</u>	<u>17,487</u>
Expenditures:					
Current -					
General government	-	201	-	-	201
Debt service -					
Principal	-	17,000	-	-	17,000
Interest and fiscal charges	-	14,125	-	-	14,125
Total expenditures	<u>-</u>	<u>31,326</u>	<u>-</u>	<u>-</u>	<u>31,326</u>
Excess (deficiency) of revenues over expenditures	<u>15,872</u>	<u>(30,523)</u>	<u>406</u>	<u>406</u>	<u>(13,839)</u>
Other financing sources (uses):					
Transfers in	-	38,292	-	-	38,292
Transfers out	<u>(186,317)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(186,317)</u>
Total other financing sources (uses)	<u>(186,317)</u>	<u>38,292</u>	<u>-</u>	<u>-</u>	<u>(148,025)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(170,445)</u>	<u>7,769</u>	<u>406</u>	<u>406</u>	<u>(161,864)</u>
Fund balances (deficit), beginning	<u>229,015</u>	<u>13,178</u>	<u>(1,276)</u>	<u>(2,871)</u>	<u>238,046</u>
Fund balances (deficit), ending	<u>\$ 58,570</u>	<u>\$ 20,947</u>	<u>\$ (870)</u>	<u>\$ (2,465)</u>	<u>\$ 76,182</u>

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Nixon, CPA*

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

Tynes E. Nixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angele Scroggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA, CVA
Mandy B. Self, CPA
Chris E. Bilski, CPA

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

406 West Cotton Street
Ville Platte, LA 70596
Phone (337) 363-2792
Fax (337) 363-3049

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

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

WEB SITE:
WWW.KCSRCPAS.COM

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

The Honorable Joseph L. Rivers, Mayor
and Members of the Board of Aldermen
Town of Glenmora, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Glenmora, Louisiana (Town), as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report dated March 19, 2007. 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.

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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying summary schedule of current and prior year audit findings as items 06-1(IC), 06-2(IC), 06-3(IC), 06-4(IC), 06-5(IC), 06-6(IC), and 06-7(IC).

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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above and in the accompanying summary schedule of current and prior year audit findings and correction action plan to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of current and prior year audit findings as items 06-8(C), 06-9(C), 06-10(C), 06-11(C), 06-12(C), 06-13(C), 06-14(C), and 06-15(C).

This report is intended solely for the information of the Town's management 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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
March 19, 2007

TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (06/30/06) --						
Internal Control:						
06-1(1C)	Unknown	Due to the small number of employees, the Town did not have adequate segregation of duties within the accounting system.		The Town Clerk is currently making efforts to segregate duties within the accounting system where possible (considering the limited number of personnel), and the Town recently hired a CPA firm to perform certain monthly bookkeeping and payroll duties. In addition, job descriptions/duties for employees will be developed and job changes will be clearly communicated to employees and implemented on a timely basis.	Town Clerk	Apr-07
06-2(1C)	Unknown	The policy for cash disbursements is that all disbursements should have supporting documentation showing authorization. The Town was unable to provide copies of various invoices requested during audit testing. It is recommended that management abide by the cash disbursement policy in place and maintain invoices or other supporting documentation showing approval for all transactions		The Town now maintains invoices and supporting documentation for all disbursements. The invoice is signed by the purchaser and/or the supervisor and approved by the Fiscal Administrator before it is paid. Paid invoices are filed alphabetically in the Clerk's office.	Town Clerk	Dec-06
06-3(1C)	Unknown	Six of the Town's employees and one council member were at least thirty days delinquent on their utility bills at June 30, 2006. Town policy is that past due accounts will be disconnected. It is recommended that aggressive collection attempts be made to collect these past due amounts, and that if accounts are not brought current that service be cut off.		The Town is now enforcing the utility cut-off policy and services are disconnected on past due accounts regardless of whether the customer is an employee or official of the Town.	Town Clerk	Feb-07

(continued)

TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
06-4(IC)	Unknown The Town's policy is that past due accounts will be cut off within 45 days of delinquent status until the account is brought current. The Town is not following this policy on a consistent basis. It is recommended that procedures in place for disconnecting delinquent accounts be followed.		In accordance with the current cut-off policy, the Town is disconnecting service on all accounts with balances that are past due for 45 days. The Town is now following this practice on a consistent basis.	Town Clerk	Feb-07
06-5(IC)	Unknown The policy for dismissing or modifying traffic tickets states that the Judge sign off on dismissals and modifications requested by the mayor, of if dismissed or modified by the Judge that this action take place while court is in session. Audit testing revealed some instances in which fines were incorrectly priced and instances in which tickets were dismissed with no record of the Judge's approval. Also the court minutes could not be located. It is recommended that the policy for ticket dismissals and modifications be followed and that minutes of court proceedings be maintained.		Effective February 2007, the Town Clerk maintains minutes of all court proceedings. Actions related to any ticket dismissals/reductions will be done in Mayor's court and the approval will be documented in the minutes.	Mayor and Town Clerk	Feb-07
06-6(IC)	Unknown The Town's police officers issue tickets to persons violating traffic laws within the Town's limits. The Town does not maintain an organized, well-documented system for tracking the disposition of these traffic tickets. It is recommended that policies and procedures be implemented so that every ticket can be accounted for.		Effective February 2007, the Town Clerk implemented a system to track the disposition of traffic tickets. The Clerk maintains a spreadsheet that tracks the issuance of tickets to police officers, receipt of issued tickets, payment of tickets, and any other disposition of tickets. A copy of the ticket is placed in a docket folder in numerical (ticket number) order and maintained in a locked file cabinet.	Town Clerk	Feb-07

CURRENT YEAR (06/30/06) --
Internal Control: (Continued)

(continued)

TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (06/30/06) --						
Internal Control: (Continued)						
06-7(IC)	Unknown	The Town has not consistently maintained supporting documentation for monies received and deposited into the Town's bank accounts. It is recommended that all remittance advices for monies received be maintained along with any other supporting documentation available. Also deposit slips prepared should have a description of the revenue being deposited.		Currently, deposit logs/sheets are completed on a daily basis and maintained which itemizes the source/purpose of monies collected and deposited into the town bank accounts. Effective January 2007, the Town began maintaining all remittance advices/supporting documentation for monies received.	Town Clerk	Jan-07
Compliance:						
06-8(C)	Unknown	The Town's current policy is that utility services be disconnected if a customer's account becomes 45 days delinquent. This policy is not in compliance with the utility bond covenants which state that accounts should be disconnected once they become 25 days delinquent. It is recommended that the current disconnect policy be modified to ensure compliance with the bond covenants.		Effective May 1, 2007, the Town will adopt and implement a new cut-off policy which will place the Town in compliance with its bond covenant. As such, the new policy will require service to be disconnected on all utility accounts with balances that become 25 days past due. The Town will strictly enforce this new policy.	Mayor and Town Clerk	May-07
06-9(C)	Unknown	LSA-RS 39:324 require that a complete physical inventory of the property of the agency be made annually. An inventory of assets was not taken in the fiscal year ended June 30, 2006. It is recommended that a complete physical inventory of the Town's assets be made annually.		The Mayor and Town Clerk will ensure that a complete physical inventory of all assets of the Town will be completed by June 30, 2007, and that sufficient inventory records are maintained. Each year thereafter, an annual physical inventory will be conducted and the records will be maintained for review for auditors.	Mayor and Town Clerk	Jun-07

(continued)

TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
06-10(C)	Unknown The Town is required to maintain casualty insurance covering the Natural Gas System and Water and Sewer Systems. The Town does not maintain this coverage on the Natural Gas or Water Systems as required in the bond covenants.		The Town currently maintains general liability insurance coverage for its gas and water operations. On March 20, 2007, the Town requested clarification and guidance from the Director of Community Development - USDA Rural Development Office as it relates to the requirement that the Town maintain casualty insurance on its natural gas and water systems. The Town anticipates receiving the clarification and guidance and will discuss its options, if any, with the USDA so that this finding can be resolved by June 30, 2007.	Mayor	Jun-07
06-11(C)	Unknown The Town did not comply with the transfer procedures for the water, sewer and gas utility Revenue bond issues. The bond issues require that amounts be transferred monthly to the Sinking, Reserve, and Contingency Accounts. The required transfers were not made into these accounts for the fiscal year ended June 30, 2006. It is recommended that the Town fully comply with the transfer procedures as required by the water, sewer, and gas utility revenue bond issues.		In September 2006, the Town began making the required monthly transfers to the reserve and contingency bank accounts related to the water, sewer and gas revenue bond issues. In August 2006, with verbal agreement from the USDA - Rural Development Office, the Town began making the monthly sinking fund transfers directly to the USDA.	Town Clerk	Sep-07

CURRENT YEAR (06/30/06) --

Compliance: (Continued)

(continued)

TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>CURRENT YEAR (06/30/06) --</u>						
<u>Compliance: (Continued)</u>						
06-12(C)	Unknown	The Town is currently delinquent on four of their revenue bonds. As of June 30, 2006 payments were past due on the 2001 Water Expansion Bond, the 2001 Sewer Expansion Bond, the 1973 Water and Sewer Bond, and the Gas Revenue Bond in the total amount of \$204,990.		On March 20, 2007, the Director of Community Development - USDA Rural Development Office informed town officials that a request will be submitted to the National Office and State Bond Commission to re-amortize the delinquent portions related to the four revenue bonds. If approved, reamortization will effectively eliminate the delinquencies that currently exist. The request will include a reduction of the interest rate on all four bonds and the extension of terms on two of the bonds. The Town anticipates that the reamortization will occur prior to June 30, 2007.	Mayor	Jun-07
06-13(C)	Unknown	The Town is required by the bond covenant for the Gas Revenue Bond to have net income each year of at least 120% of the largest combined principal and interest payment. Although the Gas System Fund had operating income for the fiscal year ended June 30, 2006, this net income amount was less than the required 120% required to be in compliance with the bond covenant.		Prior to June 30, 2007, the Mayor will conduct and complete a review of the gas operations of the Town and submit suggestions to the Fiscal Administrator for reducing expenditures and/or increasing revenues. During fiscal year 2008, the Town will make every effort to achieve annual net income from gas operations equal to 120% of the largest combined principal and interest payments.	Mayor	Jun-07
06-14(C)	2006	The Town did not amend the general fund budget in accordance with LSA-RS 39:1311(A)(1) that states when total revenue plus projected revenue and other sources for the remainder of the year are failing to meet total budgeted revenues by five percent or more the budget must be amended. Total revenues failed to meet budgeted revenues by 23% or \$240,453.		During the current fiscal year ending June 30, 2007, the Town amended its general fund budget and it was done in accordance with LSA-RS 39:1311(A)(1). In the future, the Town will continue to amend its general fund budget in accordance with state law.	Mayor and Town Clerk	Dec-06

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TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (06/30/06) --						
<u>Compliance: (Continued)</u>						
06-15(C)	2006	The Town did not prepare annual financial statements within the prescribed time as required by LSA-RS 24:514 and 33:463. The Town also did not have an audit of the annual financial statements in a timely manner as required by LSA-RS 24:513.		In the future, the Town will prepare annual financial statements within the prescribed time as required (Louisiana Revised Statutes (RS) 24:514 and 33:463) and have its audit in a timely manner as required (RS 24:513).	Mayor and Town Clerk	Jun-07
PRIOR YEAR (06/30/05) --						
<u>Internal Control:</u>						
R2005-1	Unknown	The billing system which is maintained by the assistant clerk and the general ledger which is maintained by the clerk are not reconciled on a regular basis. In the fiscal year ending June 30, 2005, this resulted in January's billings being posted twice in the general ledger. It is recommended that the Town reconcile the receivable balance monthly between the billing system and the accounting system.	Yes			
R2005-2	Unknown	In five out of eight credit card invoices reviewed, there were no documentation of the charges on the statement. It is recommended that the Town verify receipts for every item charged on the statement before issuing payment. The Town should also establish a credit card use policy that addresses the topic of lost receipts.	Yes			
R2005-3	Unknown	In two out of one hundred ninety items sampled there was improper coding. Cash disbursements should be coded properly in order for financial statements to be correct and the coding of items should be reviewed by management.	Yes			

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TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (06/30/05) --						
Internal Control: (continued)						
R2005-4	Unknown	Policy for cash disbursements is that all disbursements should have supporting documentation showing authorization. In 9 out of 190 cash disbursements examined, there was no supporting authorization. These transactions were internal transactions such as transferring from the utility fund to the general fund. Even though these are internal items, there should be some documentation and authorization.	No	See current year finding 06-2-(IC)		
R2005-5	Unknown	Currently voided checks are being kept in a file without any indication on the check that it has been voided. It is recommended that procedures be developed to make voided checks ineligible for use. This may be to write "void" across the face of the check using ink that cannot be erased or to cut out and shred the signature lines on the check.	Yes			
R2005-6	Unknown	At the time of the fieldwork, the bank reconciliations for the utility fund were not complete. It is recommended that all bank reconciliations be done monthly to ensure that all cash transactions have been accounted for.	Yes			
R2005-7	Unknown	Three of the Town's employees were more than two months behind on their utility bills. Town policy is that past due accounts will be disconnected. At the time of audit testing, these past due accounts had not been collected, nor had their service been disconnected. It is recommended that aggressive collection attempts be made to collect these past due amounts, and that if accounts are not brought current that service be cut off.	No	See current year finding 06-3(IC)		

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TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (06/30/05) --						
Internal Control: (continued)						
R2005-8	Unknown	The Town's policy is that past due accounts will be cut off until the account is brought current. The Town is not doing this on a consistent basis. During audit testing we noted one instance where a customer was allowed to accumulate over \$1,000 in charges. It is recommended that the current procedure and disconnecting those with past due balances be followed.	No	See current year finding 06-4(IC)		
R2005-9	Unknown	The policy for dismissing or modifying traffic tickets states that the Judge sign off on dismissals and modifications requested by the mayor or if dismissed or modified by the Judge that this action take place while court is in session. Seven out of seventy-two tickets sampled were dismissed and one out of seventy-two tickets was modified without the Judge's approval and there was no record in the court minutes that the Judge had approved this action. It is recommended that the policy for ticket dismissals and modifications be followed.	No	See current year finding 06-5(IC)		
R2005-10	Unknown	The Town's police officers issue tickets to persons violating traffic laws within the Town's limits. The Town does not maintain an organized, well-documented system for tracking the disposition of these traffic tickets. While testing these transactions, we noted three out of seventy-two tickets sampled that could not be located. It is recommended that policies be set up and enforced in which every ticket can be accounted for.	No	See current year finding 06-6(IC)		

TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
<u>PRIOR YEAR (06/30/05) --</u>						
<u>Compliance:</u>						
C2005-1	Unknown	According to LSA-RS 39:321-332, a complete physical inventory of the property of the agency is required annually. An inventory of assets was not taken in fiscal year ended June 30, 2005.	No	See current year finding 06-9(C)		
C2005-2A	Unknown	The Town is required to maintain casualty insurance covering the Natural Gas System and Water and Sewer Systems. The Town does not maintain this coverage for the utility systems.	No	See current year finding 06-10(C)		
C2005-2B	Unknown	The Town is required to make payments into various restricted asset accounts as described in the notes to the financial statements. During the year ended June 30, 2005 the Town failed to make all required payments in the Utility depreciation and contingency, sinking and reserve accounts and in the Gas depreciation and contingency, sinking and reserve accounts.	No	See current year finding 06-11(C)		
C2005-2C	Unknown	The Town is currently behind in making payments on four of their revenue bonds. As of June 30, 2005 payments were past due on the 2001 Water Expansion Bond, the 2001 Sewer Expansion bond, the 1973 Water and Sewer Bond, and the Gas Revenue Bond in the total amount of \$114,504.	No	See current year finding 06-12(C)		
C2005-2D	Unknown	The Town is required by the bond agreement for the Gas Revenue Bond to have net income of 120% of the largest principal and interest payment. The gas fund currently shows a loss which is not in compliance with the agreement.	No	See current year finding 06-13(C)		

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TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (06/30/05) --						
<u>Compliance: (Continued)</u>						
C2005-3	Unknown	According to LSA-RS 39:1305, the total of proposed expenditures shall not differ from actual expenditures by more than 5%. Due to several items being left out of the budget, the difference in budgeted expenditures and actual differed by well over 5%.	Yes			
C2005-4A	Unknown	The Mayor receives an expense allowance of \$300 a month for expense incurred doing business for the Town. Receipts are not turned in for these expenses, and because there are no receipts, this amount should be added to the Mayor's Form W-2 according to the Internal Revenue Code. This was not done for calendar year ended December 31, 2004.	Yes			
C2005-4B	Unknown	The personal use of the Town's vehicles is not being added to the employee's Form W-2 as required by the fringe benefit rules in the Internal Revenue Code.	Yes			
C2005-5	Unknown	The Town uses a few police officers as contract laborers when they are needed. After reviewing the Forms 1099 issued this year, it was discovered that these officers were not issued a Form 1099. According to the Internal Revenue Code, all non-corporate entities and individuals who are paid \$600 or greater in a calendar year for services should be issued a Form 1099.	Yes			

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TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (06/30/05) --						
Compliance: (Continued)						
SA05-01	2005	The Town has not completed a summary of Actions Taken to Achieve Compliance with Section 504 as required by the FY 2005 LCDBG Grantee Handbook. As a result the Town is not in compliance with LCDBG requirements.	Yes			
SA05-02	2005	The prime contractor's payroll deduction forms did not agree with the actual payroll reports for deductions for the LCDBG project. The deduction forms did not specify rate of recurrence, type of deduction, or the amounts. Payroll deduction forms filled out by employees should match the payroll deductions being taken from their check for recurrence, type of deduction and amounts. These amounts should have been verified by the Town but were not. As a result the Town is not in compliance with the Davis-Bacon Act.	Yes			
SA05-03	2005	According to the Davis-Bacon Act, each change to a payroll should be reviewed and a Statement of Compliance should be obtained with that change. After reviewing the certified payroll reports from a subcontractor on the LCDBG project, one instance on March 11, 2005 was noted in which a classification of an employee had been scratched through and changed to a classification that would require a lower rate of pay. The Town did not receive the Statement of Compliance required with this change. As a result the Town is not in compliance with the Davis-Bacon Act.	Yes			

(continued)

TOWN OF GLENMORA, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
For the Year Ended June 30, 2006

Fiscal Year Finding Initially Occurred	Ref. No.	Description of finding	Corrective Action Taken		Corrective Action Planned	Name of Contact Person		Anticipated Completion Date
			Yes	No				
PRIOR YEAR (06/30/05) --								
<u>Compliance: (Continued)</u>								
SA05-04	2005	The Davis-Bacon Act requires that employees be compensated according to certain rates based on their classifications. The payroll reports of a subcontractor on the LCDBG project were reviewed alongside the employee interview forms to determine if the workers were classified and compensated correctly. There were three instances in which the interview forms and the work classifications differed. As a result the Town is not in compliance with the Davis-Bacon Act.	Yes					
SA05-05	2005	The Davis-Bacon Act requires a prevailing wage be paid to employees based on the class of work they are performing. The review of the classifications of employees and wages associated with those classifications indicated two subcontractors on the LCDBG project had not complied with wages associated with classifications on six employees. Also the classifications of "Helper" had been used and this is not a proper classification for LCDBG. As a result the Town is not in compliance with the Davis-Bacon Act.	Yes					
SA05-06	2005	The Davis-Bacon Act requires that Statements of Compliance be obtained from the primary contractor and subcontractors on a weekly basis. The payroll reports and Statements of Compliance from five subcontractors were not available on a weekly basis to the Town. For these five contractors, they were not obtained until well after the work had been completed. As a result the Town is not in compliance with the Davis-Bacon Act.	Yes					